



DRA Global Limited

ACN 622581935

**Annual Financial Report for the year ended –
31 December 2020**

DRA Global Limited
Contents
31 December 2020

Corporate directory	2
Directors' report	3
Remuneration report	11
Operating and Financial Review	20
Consolidated statement of profit or loss	28
Consolidated statement of other comprehensive income	29
Consolidated statement of financial position	30
Consolidated statement of changes in equity	32
Consolidated statement of cash flows	33
Notes to the consolidated financial statements	34
Directors' declaration	78
Auditor's independence declaration	79
Independent auditor's report to the members of DRA Global Limited	80

DRA Global Limited
Corporate directory
31 December 2020

Directors	Peter Mansell (Chairman) Andrew Naude (Managing Director and Chief Executive Officer) Greg McRostie Kathleen Bozanic Leon Uys Les Guthrie
Company secretary	Ben Secrett
Registered office and business address	Level 8, 256 Adelaide Terrace Perth WA 6000 Australia Telephone: +61 (0)8 6163 5900
Postal address	PO Box 3130 East Perth WA 6892 Australia
Auditor	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008 Australia
Banker	HSBC Level 1, 188-190 St George's Terrace Perth WA 6000, Australia
Share registry	Computershare Investor Services Pty Ltd Level 11, 172 St Georges Terrace Perth WA 6000, Australia and at Rosebank Towers 15 Biermann Avenue, Rosebank 2196, Gauteng South Africa Telephone: +61 (0)8 9323 2000 (Inside Australia) Telephone: +61 (0)3 9415 4000 (Outside Australia) Facsimile: +61 (0)3 9473 2500 www.computershare.com
Website	www.draglobal.com

DRA Global Limited
Directors' report
31 December 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of DRA Global Limited (referred to hereafter as 'DRA', the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2020 (FY2020).

Directors

The following persons were directors of DRA Global Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Peter Mansell (Chairman)	
Andrew Naude (Managing Director and Chief Executive Officer)	
Greg McRostie	
Kathleen Bozanic	(appointed 2 January 2020)
Kenneth Thomas	(appointed 1 February 2020, resigned 11 January 2021)
Leon Uys	
Les Guthrie	(appointed 2 January 2020)
Paul Salomon	(resigned 11 March 2020)
Rafael Eliasov	(appointed 6 April 2020, resigned 28 January 2021)
Jean Nel	(resigned 29 January 2021)

Information on directors

Name:	Peter Mansell
Title:	Chairman Independent non-executive director
Qualifications:	Bachelor of Commerce, Bachelor of Laws, Higher Diploma in Tax Law
Experience and expertise:	Peter was previously a senior partner of the Australian law firm Freehills (the predecessor to Herbert Smith Freehills, which is currently engaged by the Company for corporate advisory matters), and served as the National Chairman of Freehills. Peter has significant experience in managing large organisations and over 20 years of experience as a director of ASX and EuroNext listed companies, including ASX 100 companies. Peter's international experience covers a broad range of industries and sectors including mining, media, agribusiness, energy, engineering services, oil & gas, technology, retail and property across Europe, Africa and Canada. In the engineering, resources and infrastructure sectors he is chairperson of Energy Resources of Australia Ltd and Ora Banda Mining Ltd, and was chairperson of the WA Electricity Networks Corporation (known as Western Power) and Zinifex Ltd. He has also been a director of Aurecon Group Ltd, Nyrstar NV, OZ Minerals Ltd, Hardman Resources Ltd and Tap Oil Ltd. Peter is also currently a director of Cancer Research Fund Pty Ltd (trustee of the Cancer Research Trust) and Foodbank of WA Inc.
Other current directorships:	Chairman of Ora Banda Mining Ltd Chairman of Energy Resources of Australia Ltd
Former directorships (last 3 years):	None
Special responsibilities:	Chairman Member of Audit & Risk Committee Member of People, Culture & Remuneration Committee Chairperson of Nomination & Governance Committee
Interests in shares:	No shares in DRA Global Limited
Interests in options:	No options in DRA Global Limited Other: Entitled to be issued options under the DRA Global Limited Employee Share Scheme to the value of 25% of his cash remuneration if the Company is listed on the ASX by 30 June 2021, otherwise will receive a lump sum cash payment unless a later date is agreed.

Name:	Andrew Naude
Title:	Managing Director and Chief Executive Officer
Qualifications:	Bachelor of Commerce (Finance, Honours), Chartered Accountant (ANZ&SA), Graduate AICD
Experience and expertise:	Andrew was appointed as the CEO of DRA Global Limited on 15 July 2019. Andrew is a Chartered Accountant who worked in financial services and corporate finance for 20 years, with a decade of his experience earned at executive and director level, as well as holding several non-executive directorships. Andrew joined the Group in 2013 with responsibility for development and oversight of the Group's strategic expansion, including mergers and acquisitions. Andrew has been extensively involved in growth initiatives within the Group's international business, and served as interim CEO during 2016 and as CFO from 2016 to 2019. Andrew is an alumnus of Harvard Business School, where he completed the Advanced Management Programme, as well as a graduate member of the Australian Institute of Company Directors.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chief Executive Officer Member of Major Project Approvals Committee
Interests in shares:	Ordinary shares in DRA Global Limited: 1,358,267 Other: Potential future participation in shares via the VMF Investment Trust *
Interests in options:	Other: Granted options under the DRA Global Limited Employee Share Scheme to a maximum value of \$862,500 where the number of options to be issued will be determined based on the Company's share price after listing.

**DRA Global Limited
Directors' report
31 December 2020**

Name: Greg McRostie
Title: Executive Director
Qualifications: Bachelor of Engineering (Mechanical), Member Institute of Engineers Australia
Experience and expertise: Greg is the Executive Vice President of the Asia Pacific Region. Greg has over thirty five years of experience in the design and construction of mineral processing facilities and associated infrastructure across a broad range of commodities. He has held positions including design engineering roles with Lycopodium, Minproc and GHD, and senior project management roles for Roche Mining (previously JR Engineering Services). Greg was also previously Managing Director of Abesque Engineering and Construction Ltd and Managing Director of Minnovo Pty Ltd.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Member of Sustainability, Health, Safety, Environment & Community Committee
Interests in shares: Ordinary shares in DRA Global Limited: 461,640
Interests in options: Other: Granted options under the DRA Global Limited Employee Share Scheme to a maximum value of \$338,062 where the number of options to be issued will be determined based on the Company's share price after listing.

Name: Kathleen Bozanic
Title: Independent non-executive director (Appointed 2 January 2020)
Qualifications: Bachelor of Commerce, Chartered Accountant (ANZ), Graduate AICD
Experience and expertise: Kathleen has over 25 years of experience as a finance professional, including as Chief Financial Officer or General Manager of listed and private mining and contracting companies, including BGC Contracting, Atlas Iron Ltd and Mt Gibson Iron Ltd. Kathleen was a partner of professional services firm, Deloitte, and is currently non-executive director of IGO Ltd, Great Southern Mining Ltd, Rugby WA, Future Force Foundation and the WA Health Department's Child and Adolescent Health Service.

Kathleen holds a Bachelor of Commerce from the University of Western Australia, is a member of the Institute of Chartered Accountants and a graduate and member of the Institute of Company Directors.

Other current directorships: Non-executive director of IGO Limited
Non-executive director of Great Southern Mining Limited
Former directorships (last 3 years): None
Special responsibilities: Chairperson of Audit & Risk Committee
Member of Nomination & Governance Committee
Member of Major Project Approvals Committee
Interests in shares: No shares in DRA Global Limited
Interests in options: No options in DRA Global Limited
Other: Entitled to be issued options under the DRA Global Limited Employee Share Scheme to the value of 25% of her cash remuneration if the Company is listed on the ASX by 30 June 2021, otherwise will receive a lump sum cash payment unless a later date is agreed.

Name: Dr Kenneth Thomas
Title: Independent non-executive director (Appointed 1 February 2020, Resigned 11 January 2021)
Qualifications: Doctorate in Technical Sciences, Bachelor of Science (Honours), Master of Science (Business)
Experience and expertise: Dr. Thomas has over 45 years of experience in the mining industry across project development, construction and operations. Until July 2012 he was Senior Vice President of Projects for Kinross Gold Corporation and before that a Global Managing Director and Board Director at Hatch Ltd, a leading international engineering and construction firm. Ken also held progressively senior roles at Barrick Gold Corporation through to Senior Vice President of Technical Services, and served as Chief Operating Officer for Crystallex International Corporation with operations and projects in Venezuela and Uruguay. Ken has extensive knowledge of the Americas, gained from operations management and mine building for Barrick, Crystallex and Hatch.

In addition to a Doctorate in Technical Sciences (Project Implementation) from Delft University of Technology (Netherlands, 1994), Ken holds several industry awards including, Mill Man of the Year 1991, Airey Award 1999 and the Selwyn G. Blaylock Medal 2001, awarded by the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) for advances internationally in the mining and metallurgical industry. Ken also holds a Bachelor of Science (Honours) in Metallurgy from the University College Cardiff and a Master of Science (Business) from Imperial College, both in the United Kingdom. In addition, he is the Past President, CIM.

Other current directorships: Non-executive director of Cardinal Resources Limited (unlisted public company)
Former directorships (last 3 years): None
Special responsibilities: Chair of Sustainability, Health, Safety, Environment & Community Committee (until 11 January 2021)
Member of Audit & Risk Committee (until 11 January 2021)
Member of Major Project Approvals Committee (until 11 January 2021)
Interests in shares: No shares in DRA Global Limited
Interests in options: No options in DRA Global Limited

DRA Global Limited
Directors' report
31 December 2020

Name: Leon Uys
Title: Non-executive director
Qualifications: Professional Engineer (Engineering Council of South Africa, HNTD, MDP Project Management)
Experience and expertise: Leon joined the Group in 1987 after first gaining ten years of industry experience, and during his service was instrumental in the Group's growth. After 27 years working for the Group he retired from his position as CEO in 2013. For the past 7 years, Leon has acted in a non-executive role and has been instrumental in guiding the organisation at Board level by setting the strategic direction for the global business. Leon registers as a Professional Engineer with ECSA (Engineering Council of South Africa) and holds a MDP Project Management from the University of Pretoria.
Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Chair of Major Project Approvals Committee
Member of People, Culture & Remuneration Committee (until 31 December 2020)
Member of Nomination & Governance Committee (until 31 December 2020)
Interests in shares: Ordinary shares in DRA Global Limited: 4,123,340
Interests in options: No options in DRA Global Limited

Name: Lee (Les) Guthrie
Title: Independent non-executive director (Appointed 2 January 2020)
Qualifications: Bachelor of Science (Engineering and Marketing)
Experience and expertise: Les has over 45 years of experience in the project delivery space having held corporate executive and project management roles across the UK, Australia, North America and Asia for Rio Tinto, BHP, Fluor and Aker Kvaerner. Les is currently a non-executive director of Neometals Ltd and Australian Mines Limited. He is also Principal and Managing Director of Bedford Road Associates, where he has provided advice and delivery support to clients such as Rio Tinto in Mongolia, Hyundai Engineering and Samsung Engineering in S.Korea, Otakaro and CERA in New Zealand, and to Melbourne Water, the State Government of Victoria and NBN Co in Australia. Les was also one of the founding contributors to the John Grill Centre for Project Leadership at The University of Sydney. Les holds a Bachelor of Science in Engineering and Marketing from the University of West of Scotland, Paisley.
Other current directorships: Non-executive director of Neometals Ltd
Non-executive director of Australian Mines Limited
Former directorships (last 3 years): None
Special responsibilities: Chair of People, Culture & Remuneration Committee
Chair of Sustainability, Health, Safety, Environment & Community Committee
Member of Major Project Approvals Committee
Interests in shares: No shares in DRA Global Limited
Interests in options: No options in DRA Global Limited
Other: Entitled to be issued options under the DRA Global Limited Employee Share Scheme to the value of 25% of his cash remuneration if the Company is listed on the ASX by 30 June 2021, otherwise will receive a lump sum cash payment unless a later date is agreed.

Name: Paul Salomon
Title: Non-executive director (Resigned 11 March 2020)
Qualifications: Chartered Accountant (ANZ), Chartered Financial Analyst, Bachelor of Business Science (Honours)
Experience and expertise: Paul joined Stockdale Street South Africa (formerly Southern Cross Capital) in 2011. Prior to joining Stockdale Street, Paul was the co-founder of Altirah Capital, a South African private equity & venture capital house and before that the Chief Financial Officer of Everest Capital Pty Ltd, an Australian hedge fund business. Prior to his involvement in the hedge fund industry, Paul worked at ABN AMRO in Australia and Investec Bank Ltd in South Africa in their corporate finance divisions. Paul qualified as a Chartered Accountant in Australia, is a Chartered Financial Analyst and charter holder, and earned a Bachelor of Business Science (Honours) from the University of Cape Town.
Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: No shares in DRA Global Limited**
Interests in options: No options in DRA Global Limited

DRA Global Limited
Directors' report
31 December 2020

Name: Rafael Eliasov
Title: Non-executive director (Appointed 6 April 2020, Resigned 28 January 2021)
Qualifications: Bachelor of Commerce (Finance), Bachelor of Law, Higher Diploma in Tax
Experience and expertise: Rafael has Bachelor degrees in Commerce and Law from Witwatersrand University and a Higher Diploma in Tax from the University of Johannesburg. He worked at Investec Equity Partners for nearly 6 years and was recently a director of Cliff Dekker Hofmeyer. Rafael joined Stockdale Street in 2018.
Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Member of Audit & Risk Committee (until 28 January 2021)
Member of Nomination & Governance Committee (until 28 January 2021)
Interests in shares: No shares in DRA Global Limited**
Interests in options: No options in DRA Global Limited

Name: Jean Nel
Title: Non-executive director (Resigned 29 January 2021)
Qualifications: Bachelor of Accountancy (Honours), Chartered Accountant (SA), Chartered Financial Analyst (AIMR)
Experience and expertise: Jean held numerous executive level positions for major companies in the South African mining industry. He currently co-owns and manages a number of investments in South Africa, Namibia and the United Kingdom, and also serves as non-executive director of public companies.
Jean is a qualified Chartered Accountant and holds a Bachelor of Accountancy (Honours) from the University of Stellenbosch. Jean obtained the Chartered Financial Analyst (CFA) qualification administered by the AIMR (Association for Investment Management and Research) in the United States and became a CFA charter holder. Jean also completed the Advanced Management Programme (AMP) at Insead in Fontainebleau, France.
Other current directorships: Non-executive director Northam Platinum Ltd
Non-executive director of DRD Gold Limited
Non-executive director of Tongaat Hulett
Former directorships (last 3 years): None
Special responsibilities: Member of Sustainability, Health, Safety, Environment & Community Committee (until 29 January 2021)
Member of People, Culture & Remuneration Committee (until 29 January 2021)
Interests in shares: No shares in DRA Global Limited**
Interests in options: No options in DRA Global Limited

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

* VMF Investments Ltd holds 7,286,011 shares in DRA Global Limited. This entity is owned and controlled by the VMF Investment Trust, a trust established for the benefit of international management of the Group. VMF Investments Ltd is managed by the VMF Investment Trust. At the date of these financial statements, the beneficiaries of the VMF Investment Trust include members of DRA management. The shares in VMF Investments Ltd were acquired with capital contributed by the beneficiaries and a loan from the Group, on the same terms as extended to other employee shareholders at the time. Family entities associated with Andrew Naude, Chief Executive Officer of the Company is one of the beneficiaries of the VMF Investment Trust. Andrew Naude is not a trustee of the VMF Investment Trust nor does he exercise control over VMF Investments Ltd or the VMF Investment Trust. Distributions are at the discretion of the trustee and contingent on factors determined by the trustee. Final attributable interests in DRA shares by beneficiaries of the VMF Trust cannot be quantified as long as these shares are owned by VMF Investments Ltd. The shareholdings disclosed for Andrew Naude thus excludes any shares held by VMF Investments Ltd.

** Paul Salomon, Rafael Eliasov and Jean Nel were directors appointed by BPESAM IV M Ltd and BPESAM IV N Ltd, in which they have a contingent indirect interest. BPESAM IV M Ltd and BPESAM IV N Ltd own 15,000,000 shares each in DRA Global Limited. BPESAM IV M Ltd and BPESAM IV N Ltd are registered in Mauritius.

Company secretary

Ben Secrett (Appointed 1 January 2021)

Ben has over 10 years of practice as a legal, corporate advisory and governance professional for Australian and foreign listed and unlisted entities. Ben has experience as a corporate lawyer at Ashurst and Gilbert+Tobin law firms, compliance adviser at ASX, and as company secretary for a number of ASX listed entities in the resources and technology sectors. Ben holds a Bachelor of Economics from the University of Western Australia, a Juris Doctor law degree from the University of Notre Dame Australia, and a Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia.

Carol Marinkovich (Resigned 31 December 2020)

Carol has over 25 years experience in the mining industry. She has extensive experience in company secretary and corporate governance practice both within Australia and internationally, including with Gold Road Resources Ltd and Sundance Resources Ltd in Western Australia and has worked for other junior mining companies, both listed and unlisted. Carol is a Member of the Governance Institute of Australia and the Institute of Chartered Secretaries and Administrators.

Andrew Naude (Resigned 13 March 2020)

Andrew acted as joint secretary from 9 April 2019.

DRA Global Limited
Directors' report
31 December 2020

Principal activities

The Group is a multi-disciplinary engineering group that delivers consulting, project execution and operations management services in mining, minerals processing and related infrastructure.

Operating and financial review

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the review of operations and activities on page 20 - 27 and forms part of this Directors' report.

Significant changes in the state of affairs

Minnovo put option

In 2017, the Company entered into a share purchase agreement with Minnovo Pty Ltd (Minnovo) to acquire 100% of the issued share capital in Minnovo. The acquisition of Minnovo was completed in July 2018 and the former shareholders of Minnovo accepted cash and shares of DRA Global Limited as full consideration. The share-based consideration was accepted only on the basis that the shares of DRA Global Limited would be liquid within 18 months. The original period of 18 months has since lapsed. Whilst the Company has no obligation under the share purchase agreement to buy-back the shares, the Company has entered into a formal put option agreement with the former shareholders of Minnovo. The put option agreement grants these former shareholders the right to sell their shares obtained from the acquisition back to the Company at the same price that the shares were issued in terms of the share purchase agreement only in the event that the listing process has not completed by 30 June 2021. The put option agreement was approved by the shareholders at the Annual General Meeting on 29 July 2020. A put option liability of \$18.9M was recorded based on 2,539,015 number of shares at \$7.44 per share. Refer to note 21

Shares issued and Share buy-back during the period

On 5 May 2020, DRA Global Limited issued an additional 646,464 fully paid ordinary shares to management of New Senet Pty Ltd (Senet) with a subscription price of \$6.12 per share. The additional subscription by management of Senet seeks to motivate and retain key employees of Senet beyond the earn-out period.

On 6 April 2020, the Company bought back 572,556 fully paid ordinary shares with a total value of \$4,196,818 as settlement of employee loans owing to the Group. Refer to note 22.

Impairment of intangible assets

The Group impaired \$5.7M of goodwill relating to the Americas Region's cash generating unit (CGU). The Americas Region was profitable in the past and is expected to be profitable in the next 12 months. However, the operation in the Clean Energy sector is expected to reduce significantly from FY2022 onwards due to expiration of tax incentives in the United States. At the date of this report, the tax incentive has not been renewed and therefore has not been taken into account in the value-in-use calculations to determine the recoverable amount of the CGU beyond FY2022. Refer to note 16.

There were no other significant changes in the state of affairs of the Group during the financial year.

Likely developments and expected results of operations

The Group plans to continue to provide diversified engineering and operation and maintenance services globally.

Distributions

There were no dividends paid, recommended or declared during the current or previous financial year.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 December 2020, and the number of meetings attended by each director were:

	Board		Audit & Risk Committee		People, Culture & Remuneration Committee	
	Eligible*	Attended**	Eligible*	Attended**	Eligible*	Attended**
Peter Mansell	9	9	4	4	6	6
Andrew Naude	9	9	-	4	-	6
Greg McRostie	9	9	-	4	-	6
Kathleen Bozanic	9	9	4	4	-	6
Kenneth Thomas	9	9	4	3	-	3
Leon Uys	9	9	-	4	6	6
Les Guthrie	9	9	1	4	6	6
Paul Salomon	1	1	-	-	-	-
Rafael Eliasov	7	7	3	4	-	6
Jean Nel	9	7	1	4	6	6

	Sustainability, Health, Safety, Environment & Community Committee		Nomination & Governance Committee		Major Project Approvals Committee	
	Eligible*	Attended**	Eligible*	Attended**	Eligible*	Attended**
Peter Mansell	-	3	3	3	-	1
Andrew Naude	-	3	-	3	8	8
Greg McRostie	3	2	-	2	-	8
Kathleen Bozanic	-	3	3	3	8	8
Kenneth Thomas	3	3	-	1	8	7
Leon Uys	-	3	3	3	8	8
Les Guthrie	3	3	-	3	8	8
Paul Salomon	-	-	-	-	-	-
Rafael Eliasov	-	1	3	3	-	2
Jean Nel	3	2	-	3	-	-
Member		Chair				

* The number of meetings held during the period the director was a member of the Board and/or Committee.

** The number of meetings attended by the Director during the period the Director was a member of the Board and/or Committee.

Environmental regulation

The Group is subject to environmental regulation in respect of its Projects and Operations business activities in different regions. The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so that it is aware of, and is in compliance with, relevant environmental legislation. There were no breaches of environmental legislation for the year.

Matters subsequent to the end of the financial year

BEE restructure

DRA South Africa Proprietary Limited ("DRA South Africa") and its subsidiaries which are controlled by the Group are implementing a restructure of DRA's South African operations to facilitate the conclusion of a broad-based black economic empowerment ("B-BBEE") ownership transaction in terms of which private equity funds managed by Ascension Capital Partners Proprietary Limited ("Ascension Funds") will acquire the following interest in the relevant South African group entities:

- 35% ordinary share interest in DRA South African Group Holdings Proprietary Limited ("DRA SA Group")
- 25% ordinary share interest in Minerals Operations Executive Proprietary Limited ("Minopex SA") and DRA Plant Operations Holdings Proprietary Limited ("DRA Plant Operations")
- 25% ordinary share interest in DRA Projects Group Holdings Proprietary Limited ("DRA Projects Group")

Main Street 798 Proprietary Limited (RF) ("Main Street"), DRA SA Group's previous B-BBEE shareholder, will remain indirectly invested in DRA South Africa as an investor in Ascension.

In terms of the aforementioned restructure, DRA South Africa Group Holdings will replace DRA South Africa as the holding company of the Group's South African interests and DRA Projects Group will become the holding vehicle for the Group's South African projects business. The result of the restructure of the B-BBEE shareholding and introduction of Ascension as a B-BBEE partner in South Africa is that DRA's major operating businesses in South Africa will be certified 51% B-BBEE-owned and address the main procurement criteria set out in the South African Mining Charter (Mining Charter 3). By addressing these criteria DRA will be able to continue to effectively compete within the South African market, ensuring a platform for sustained growth.

At the date of this report the restructure had not been completed.

Stockdale Street's Selective Share Buy Back

On 28 January 2021, the Company entered into a Share Buy Back Agreement with BPESAM IV M Ltd (IVM) and BPESAM IV N Ltd (IVN) (together known as Limited Partners of Stockdale Street Investment Partnership IV) to purchase 30,000,000 of the shares in the Company. The buy-back consideration includes an initial cash consideration of ZAR 550,000,000 (\$47,720,000) payable at completion date, a further cash consideration of \$30,280,000 payable prior to 31 December 2021, totalling approximately \$78,000,000 and 25,000,000 Upside Participants Rights (UPR). The UPRs have an exercise price of \$3.10 per share with a price ceiling of \$6.5 per share. Consequently, the maximum gain of the UPRs is limited to \$3.40 per UPR. In total, the transaction has a maximum value of approximately \$163M which equates to a maximum value of \$5.43 per share receivable by BPESAM IV M Ltd and BPESAM IV N Ltd.

A report was obtained from an independent expert that the selective buy-back was fair and reasonable to the shareholders of the Company (excluding IVM, IVN and their Associates) and approval of the transaction was obtained at a meeting of the shareholders on 1 April 2021.

Impact of COVID-19

Refer to Operating and Financial Review for the impact of COVID-19 on the Group's result in the current year.

The Group will continue to assess the impact of COVID-19 on existing Projects and Operations businesses. The duration and spread of the pandemic and regulations imposed by Governments continue to be closely monitored to determine any future impact on the Group. The Group has a stable cash balance and did not require the use of additional credit facilities.

DRA Global Limited
Directors' report
31 December 2020

Other

Kenneth Thomas, Rafael Eliasov and Jean Nel resigned from the position of non-executive directors on 11 January 2021, 28 January 2021 and 29 January 2021 respectively. Ben Secrett was appointed as Company Secretary on 1 January 2021.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Shares under option

The number of unissued ordinary shares of DRA Global Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
14 May 2020	30 June 2024	\$0.00	495,000

The above disclosure on the number of unissued ordinary shares under option does not include options to be issued to non-executive directors and employees where the number of options to be issued have not yet been determined.

The non-executive directors are entitled to options based on 25% of cash remuneration if the Company is listed on the ASX by 30 June 2021, otherwise they will receive a lump sum cash payment unless a later date is agreed. The total accumulated value of options that may be issued as at 31 December 2020 was \$132,000.

Certain employees including key management personnel have been granted options on 31 December 2020 under the DRA Global Limited Employee Share Scheme. Options to a maximum value of \$7,240,585 were granted. The number of options to be issued will be determined based on 10-day volume weighted average share price of the Company from the date of listing. The options expire on 31 March 2025.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other entities.

Included in these options were options granted as remuneration to the directors and the five most highly remunerated officers during the year. Details of options granted to directors and key management personnel are disclosed on the remuneration report. In addition, the following options were granted to officers who are among the five highest remunerated officers of the Company and the Group, but are not key management personnel and hence not disclosed in the remuneration report:

Name of officer	Date	Issue price of shares	Number of options granted	Fair value of options granted
Pierre Julien	11 May 2020	\$0.00	25,000	\$100,000
	31 December 2020	To be determined	To be determined	\$224,473 ⁽ⁱ⁾

(i) Options to a maximum value of \$338,062 were granted to Pierre Julien on 31 December 2020 under the DRA Global Limited Employee Share Scheme with a fair value of \$224,473. The number of options to be issued will be determined based on 10-day volume weighted average share price of the Company from the date of listing.

Shares issued on the exercise of options

There were no ordinary shares of DRA Global Limited issued on the exercise of options during the year ended 31 December 2020 and up to the date of this report.

Indemnity and insurance of officers

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every officer of the Group shall be indemnified out of the property of the Group against any liability incurred by him or her in his or her capacity as officer of the Group or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal. The contracts of insurance contain confidentiality provisions that preclude disclosure of the premiums paid, the nature of the liability covered by the policies, the limit of liability and the name of the insurer.

Indemnity and insurance of auditor

To the extent permitted by law, the Company has agreed to indemnify its auditors BDO Audit (WA) Pty Ltd, as part of the terms of its audit engagement agreement against claims by third parties arising from DRA Global Limited's breach of their agreement. No payment has been made to indemnify BDO Audit (WA) Pty Ltd during or since the end of the financial year.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 37 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

DRA Global Limited
Directors' report
31 December 2020

The directors are of the opinion that the services as disclosed in note 37 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 79.

Remuneration report (audited)

The audited remuneration report is set out on pages 11 - 19 and forms part of this Directors' report.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Peter Mansell
Chairman



Andrew Naude
Chief Executive Officer

15 April 2021

DRA Global Limited
Remuneration report
31 December 2020

Remuneration report (audited)

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based payments
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The People, Culture & Remuneration Committee is responsible for determining and reviewing remuneration arrangements for the directors and executives.

The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

In consultation with external remuneration consultants (refer to the section 'Use of remuneration consultants' below), the People, Culture & Remuneration Committee has commenced and completed a review of the Group executive remuneration framework to ensure that it is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives
- reflecting good corporate governance which is aligned to the Group's values and risk appetite aligning executive and other key employee interests with that of shareholders through fair and substantial incentives for delivery against agreed and measurable long and short term objectives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the People, Culture & Remuneration Committee. The People, Culture & Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

The aggregate non-executive directors' remuneration is determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 31 May 2019, where the shareholders approved a maximum annual aggregate remuneration of \$700,000.

The independent non-executive directors are entitled to a deferred lump sum payment equivalent to 25% of their cash remuneration from appointment to 30 June 2021, which will be payable on 30 June 2021, by the issue of options under the DRA Global Limited Employee Share Scheme if the Company is listed on the ASX by 30 June 2021 (unless a later date is agreed), or otherwise in cash.

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has five components:

- base pay and non-monetary benefits
- cash and non-cash allowances
- short-term performance incentives
- long-term performance incentives
- other remuneration such as superannuation and long service leave

DRA Global Limited
Remuneration report
31 December 2020

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the People, Culture & Remuneration Committee based on comparable market remuneration and cost of living indicators with the executive's level of proficiency in the role as well as the sustained performance of the individual and the Group.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the Group and provides additional value to the executive.

The new short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments shall be granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's have been developed on the pillars of safety and operational delivery, people and growth, financial and fiscal discipline and customer reputation. The program is designed to drive financial performance without encouraging undue risk-taking.

The new long-term incentives ('LTI') program is designed to include equity instruments such as performance share options. Share options are awarded to executives if performance targets over a period of three years are achieved. These include achieving a targeted increase in shareholders' value and earning per share over a period of three years. The program is designed to promote long-term stability in shareholder returns.

Consolidated entity performance and link to remuneration

Variable component for certain individuals is directly linked to the performance of the Group. A portion of cash bonus and incentive payments are dependent on defined targets being met. The remaining portion of the cash bonus and incentive payments are at the recommendation of the People, Culture & Remuneration Committee. Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the past three years. Due to the capital reorganisation, only three years are disclosed.

The People, Culture & Remuneration Committee is of the opinion that the continued high financial performance can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years. For more information on FY2020 results, refer to operating and financial review section.

Use of remuneration consultants

During the financial year ended 31 December 2020, the Group, through the People, Culture & Remuneration Committee, engaged BDO Reward Pty Ltd, remuneration consultants, to review its existing executive pay structures and remuneration policies in comparison to a relevant peer and competitor group, and provide recommendations on how to improve both the STI and LTI programs. BDO Reward Pty Ltd was paid \$153,900 (2019: \$108,399) for these services.

An agreed set of protocols were put in place to ensure that the remuneration recommendations would be free from undue influence from key management personnel. These protocols include requiring that the consultant not communicate with affected key management personnel without a member of the People, Culture & Remuneration Committee being present, and that the consultant not provide any information relating to the outcome of the engagement with the affected key management personnel. The Board is also required to make inquiries of the consultant's processes at the conclusion of the engagement to ensure that they are satisfied that any recommendations made have been free from undue influence. The Board is satisfied that these protocols were followed and as such there was no undue influence.

Voting and comments made at the last year's Annual General Meeting ('AGM')

The Group is currently not a listed entity. There is no requirement under the Corporations Act 2001 to put the remuneration report to vote at the Company's most recent AGM.

Details of remuneration

The key management personnel of the Group consisted of the following directors of DRA Global Limited:

- Peter Mansell - Non-Executive Chairman (from 16 September 2019)
- Andrew Naude - Managing Director & Chief Executive Officer (from 19 July 2019)
- Greg McRostie - Executive Director (from 1 August 2019)
- Kathleen Bozanic - Non-Executive Director (from 2 January 2020)
- Kenneth Thomas - Non-Executive Director (from 1 February 2020)
- Leon Uys - Non-Executive Director
- Les Guthrie - Non-Executive Director (from 2 January 2020)
- Paul Salomon - Non-Executive Director (until 11 March 2020)
- Rafael Eliasov - Non-Executive Director (from 6 April 2020)
- Jean Nel - Non-Executive Director (from 18 December 2019)

And the following persons:

- Adam Buckler - Chief Financial Officer (from 2 January 2020)
- Alistair Hodgkinson - Executive Vice President

Darren Naylor, James Smith and Pierre Julien have been assessed as no longer being key management personnel following an organisational restructure.

Kenneth Thomas, Rafael Eliasov and Jean Nel resigned from the position of non-executive directors on 11 January 2021, 28 January 2021 and 29 January 2021 respectively. Other than that, there is no further changes to directors and key management personnel during the period from the end of the reporting period, 31 December 2020 up to the date of financial statements being signed.

DRA Global Limited
Remuneration report
31 December 2020

Amounts of remuneration

Details of the remuneration of directors and key management personnel of the Group are set out in the following tables:

2020	Short-term benefits			Post-employment benefits		Share-based payments	Total	
	Cash salary and fees	Cash bonus	Cash allowance	Non-cash allowance	Super-annuation	Termination benefits		Equity-settled
	\$	\$	\$	\$	\$	\$	\$	
<i>Non-Executive Directors:</i>								
Peter Mansell	192,000	-	-	-	18,240	-	48,000	258,240
Kathleen Bozanic	96,000	-	-	-	9,120	-	24,000	129,120
Kenneth Thomas	88,000	-	-	-	-	-	22,000	110,000
Leon Uys	-	-	-	-	-	-	-	-
Les Guthrie	96,000	-	-	-	9,120	-	24,000	129,120
Paul Salomon	-	-	-	-	-	-	-	-
Rafael Eliasov	-	-	-	-	-	-	-	-
Jean Nel	-	-	-	-	-	-	-	-
<i>Executive Directors:</i>								
Andrew Naude*	728,997	805,650	-	17,460	21,348	-	149,924	1,723,379
Greg McRostie*	378,997	320,000	-	-	21,348	-	56,118	776,463
<i>Other Key Management Personnel:</i>								
Adam Buckler*	415,000	218,002	-	-	21,348	-	65,139	719,489
Alistair Hodgkinson*	315,255	384,168	-	2,177	-	-	142,561	844,161
	<u>2,310,249</u>	<u>1,727,820</u>	<u>-</u>	<u>19,637</u>	<u>100,524</u>	<u>-</u>	<u>531,742</u>	<u>4,689,972</u>

* In FY2020, the People, Culture & Remuneration Committee made a change in the presentation of STI cash bonus to include the approved accrued bonus for key management personnel in relation to their performance for FY2020. Going forward, this change is expected to align the presentation of cash bonus in the remuneration report with the current year performance of the Group and provide more relevant information for shareholders. As a result of this transition, the cash bonus included in FY2020 included the accrued bonus for FY2020 and the bonus paid for FY2019 which previously were not accrued specifically for these key management personnel. Refer to page 15 for table showing the breakdown of each bonus award.

**DRA Global Limited
Remuneration report
31 December 2020**

	Short-term benefits				Post-employment benefits		Share-based payments	Total
	Cash salary and fees	Cash bonus	Cash allowance	Non-cash allowance	Super-annuation	Termination benefits	Equity-settled	
2019	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Peter Mansell	56,000	-	-	14,000	5,251	-	-	75,251
Kathleen Bozanic	-	-	-	-	-	-	-	-
Kenneth Thomas	-	-	-	-	-	-	-	-
Leon Uys	15,165	-	-	-	-	-	-	15,165
Les Guthrie	-	-	-	-	-	-	-	-
Paul Salomon	-	-	-	-	-	-	-	-
Rafael Eliasov	-	-	-	-	-	-	-	-
Jean Nel	-	-	-	-	-	-	-	-
Tim Netscher	40,333	-	-	-	-	-	-	40,333
Clive Hart	15,165	-	-	-	-	-	-	15,165
Peter Maw	-	-	-	-	-	-	-	-
Sharon Warburton	25,000	-	-	-	2,375	-	-	27,375
Cliff Lawrenson	33,000	-	-	-	-	-	-	33,000
<i>Executive Directors:</i>								
Andrew Naude**	654,388	209,510	-	123,942	52,227	-	24,670	1,064,737
Greg McRostie	382,249	49,093	-	-	23,538	-	-	454,880
Wray Carvelas**	570,527	114,542	-	2,175	-	884,863	24,670	1,596,777
<i>Other Key Management Personnel:</i>								
Adam Buckler	-	-	-	-	-	-	-	-
Alistair Hodgkinson**	328,502	-	-	5,089	-	-	7,754	341,345
Darren Naylor*	345,829	28,819	16,129	7,583	-	-	-	398,360
James Smith	321,094	80,399	-	-	-	-	-	401,493
Pierre Julien**	406,531	81,325	-	2,175	10,098	-	20,321	520,450
	3,193,783	563,688	16,129	154,964	93,489	884,863	77,415	4,984,331

* Remuneration reflected from 1 April 2019, the date of acquisition of New Senet Pty Ltd.

** Share-based payments recorded were related to Legacy Long-term Incentive Plan (Legacy LTIP) issued on 1 July 2016. The amounts disclosed in FY2019 Annual Report were the cash-settled amounts recorded at the employing entity (subsidiary) level. The Legacy LTIP constituted a group share-based payment transaction and was deemed as equity-settled at the consolidated entity in accordance with AASB 2. Accordingly, the amounts disclosed previously have been restated to reflect the equity-settled share-based payment expenses recorded at the consolidated entity.

**DRA Global Limited
Remuneration report
31 December 2020**

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2020	2019	2020	2019	2020	2019
<i>Non-Executive Directors:</i>						
Peter Mansell	100%	100%	-	-	-	-
Kathleen Bozanic	100%	-	-	-	-	-
Kenneth Thomas	100%	-	-	-	-	-
Leon Uys	-	100%	-	-	-	-
Les Guthrie	100%	-	-	-	-	-
Paul Salomon	-	-	-	-	-	-
Rafael Eliasov	-	-	-	-	-	-
Jean Nel	-	-	-	-	-	-
Tim Netscher	-	100%	-	-	-	-
Clive Hart	-	100%	-	-	-	-
Peter Maw	-	-	-	-	-	-
Sharon Warburton	-	100%	-	-	-	-
Cliff Lawrenson	-	100%	-	-	-	-
<i>Executive Directors:</i>						
Andrew Naude	44%	78%	47%	20%	9%	2%
Greg McRostie	52%	89%	41%	11%	7%	-
<i>Other Key Management Personnel:</i>						
Adam Buckler	61%	-	30%	-	9%	-
Alistair Hodgkinson	37%	97%	46%	-	17%	3%
Pierre Julien	-	80%	-	16%	-	4%
James Smith	-	80%	-	20%	-	-
Darren Naylor	-	93%	-	7%	-	-

The table below shows of each key management personnel how much of their STI cash bonus was awarded and how much was forfeited:

	Total opportunity*	Awarded*	Awarded	Forfeited	Forfeited
	\$	%	\$	%	\$
FY2020 award accrued in FY2020					
Andrew Naude	626,400	68.8%	430,650	31.3%	195,750
Adam Buckler	305,202	71.4%	218,002	28.6%	87,201
Greg McRostie	280,000	50.0%	140,000	50.0%	140,000
Alistair Hodgkinson	224,098	71.4%	160,070	28.6%	64,028
	Total opportunity*	Awarded*	Awarded	Forfeited	Forfeited
	\$	%	\$	%	\$
FY2019 award paid in FY2020					
Andrew Naude	600,000	62.5%	375,000	37.5%	225,000
Adam Buckler	-	-	-	-	-
Greg McRostie	280,000	64.3%	180,000	35.7%	100,000
Alistair Hodgkinson	224,098	100.0%	224,098	-	-

* The dollar value of total opportunity is determined based on maximum STI opportunity calculated as a percentage of total fixed remuneration and the Awarded percentage reflects percentage of total opportunity, and not the actual STI opportunity. Refer to 'Service agreements' section for an understanding of the maximum STI opportunities for these key management personnel.

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in employment contracts. The following outlines the details of contracts with executives:

DRA Global Limited
Remuneration report
31 December 2020

CEO

The CEO is employed under a contract which can be terminated with notice by either the Group or the CEO.

Under the terms of the present contract:

- The CEO receives fixed remuneration of \$750,000 per annum.
- The CEO's target STI opportunity is 50% of fixed remuneration and maximum STI opportunity is 80% of total fixed remuneration.
- The CEO is eligible to participate in the LTI plan on terms determined by the Board, subject to receiving any required or appropriate shareholder approval.

Other executives

The other executives are employed under a contract which can be terminated with notice by either the Group or themselves.

Under the terms of their present contracts:

- The other executives receives fixed remuneration ranges from \$320,000 to \$440,000 per annum.
- The other executives' target STI opportunity is 45% of fixed remuneration and maximum STI opportunity is 70% of total fixed remuneration.
- The other executives are eligible to participate in the LTI plan on terms determined by the Board, subject to receiving any required or appropriate shareholder approval.

Termination provisions

The CEO and executives' termination provisions are as follows:

	Resignation	Termination with cause	Termination without cause
CEO	6 months' notice	No notice	16 months
Executive Director (Greg McRostie)	3 months' notice	No notice	6 - 12 months depending on certain conditions
Other executives notice period	3 months' notice	No notice	3 months' notice

Should executives not provide sufficient notice, they will forfeit the monetary equivalent (calculated based on Total Fixed Remuneration) of any shortfall in the notice period. Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based payments

(i) Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 31 December 2020.

(ii) Legacy LTIP

Certain key management personnel were granted share appreciation rights (SARs) under the Legacy Long-Term Incentive Plan (Legacy LTIP) on 1 July 2016. In July 2018, the Legacy LTIP was restructured when DRA Group Holdings Pty Ltd (DRAGH) was acquired by DRA Global Limited through a Scheme of Arrangement. The Group restructured the SARs arrangement and replaced the remaining SARs with an issue of 5,076,620 ordinary DRAGH shares at a ratio of approximately 0.6 shares per SAR. The modification has not resulted in an incremental fair value adjustment under AASB 2 *Share-Based Payments* (AASB 2) and consequently the expense for the original grant will continue to be recognised as if the terms had not been modified. These ordinary DRAGH shares participated in the Scheme of Arrangement as ordinary shareholders in DRAGH and were replaced by ordinary shares in DRA Global Limited. The Participants agreed to restrictions on the sale of the shares received pursuant to this restructure, specifically restrictions on the sale of these shares prior to specific dates replicating the original vesting profile of the SARs - i.e. sale of 1/3rd restricted until after each of 30 June 2018, 2019, 2020, and further agreed to sell these shares back to the Company at nominal value if they leave the employment of the Group before these dates.

The fair value per SAR for each tranche, determined at grant date (1 July 2016), using the Black-Scholes model are as follows:

	Tranche 1	Tranche 2	Tranche 3
Grant date	1 July 2016	1 July 2016	1 July 2016
Date of vesting	30 June 2018	30 June 2019	30 June 2020
Fair value per SAR	\$0.21	\$0.22	\$0.22

All the shares issued to replace the SARs were either fully vested or forfeited as at 31 December 2020.

DRA Global Limited
Remuneration report
31 December 2020

(iii) Options

The table below shows for each key management personnel the fair value of options was granted and exercised during FY2020:

2020	Fair value granted*	Value exercised**
	\$	\$
Peter Mansell	48,000	-
Kathleen Bozanic	24,000	-
Kenneth Thomas	22,000	-
Les Guthrie	24,000	-
Andrew Naude	572,700	-
Greg McRostie	224,473	-
Adam Buckler	260,555	-
Alistair Hodgkinson	224,473	-

* These options were granted from various plans during the year as part of remuneration. The fair value of these options at grant date is calculated in accordance with AASB 2. The fair value of these options are allocated as share-based payment expenses over the vesting period.

** The value at the exercise date of options that were granted as part of remuneration and were exercised during the year has been determined as the intrinsic value of the options at that date.

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Plan	Grant date	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date	Performance achieved	% vested
One-off Share Option Plan ^(a)	14 May 2020	30 June 2022	30 June 2024	\$0	\$4	N/A	Nil
NED Share Option Plan ^(b)	TBD	TBD	TBD	\$0	TBD	N/A	100%
FY2020 Share Option Plan ^(c)	31 December 2020	31 March 2023	31 March 2025	\$0	TBD	TBD	Nil

TBD- To be determined, N/A - Not applicable.

(a) The Company granted a one-off share option offer to certain key management personnel and employees on 14 May 2020. The options will vest at the end of 30 June 2022 subject to the employees remaining in the Company. The fair value per option at grant date is determined using an internal valuation based on earnings multiples method and market conditions at the grant date.

(b) Certain non-executive directors (NED) are entitled to be issued options under the DRA Global Limited Employee Share Scheme to the value of 25% of their cash remuneration if the Company is listed on the ASX by 30 June 2021, otherwise they will receive a lump sum cash payment unless a later date is agreed. This arrangement is accounted as equity-settled at the reporting date as the likelihood of achieving the listing on the ASX is considered probable. There is no vesting condition attached to this plan.

(c) FY2020 Share Option Plan was granted to certain employees including key management personnel for a certain value where the number of options to be issued will be determined based on the Company's share price after listing. The options are subject to performance hurdles in relation to Absolute Total Shareholders' Return (ATSR) (50% of the grant value) and Earning Per Share(EPS) (50% of the grant value) over a period of three years in order to vest. These performance hurdles are mutually exclusive so that if only one of the hurdles is satisfied, vesting occurs for that performance hurdle. EPS performance will be assessed against compound annual growth rate targets set by the Board. The target set for FY2020 Employee Share Plan is currently 8% compound average growth rate. If the compound average growth rate over FY2020 to FY2022 is 8% or greater, the grant will become 100% performance qualified. A minimum of 25% or 50% will vest if at least 2% or 4% compound growth over FY2020 to FY2022 performance period is achieved respectively. ATSR performance is measured based on 10-day volume weighted average share price (VWAP) of the Company from date of listing and compare to the 30-day VWAP till 31 March 2023 (inclusive) assuming dividends are reinvested. If the ATSR from the date of listing to 31 March 2023 is 8% or greater, the grant will become 100% performance qualified. A minimum of 25% or 50% will vest if at least 2% or 4% of ATSR is achieved from the date of listing to 31 March 2023 respectively.

Additional information

The earnings of the Group for the three years to 31 December 2020 are summarised below:

	2020	2019	2018
	\$'000	\$'000	\$'000
Sales revenue	938,249	1,033,219	956,655
EBIT	39,014	59,004	(39,168)
Profit/(loss) after income tax	25,619	36,009	(42,129)

DRA Global Limited
Remuneration report
31 December 2020

The factors that are considered to affect total shareholders return are summarised below:

	2020	2019	2018
Total dividends declared (cents per share)	-	-	2.88
Basic earnings per share (cents per share)	27.49	43.78	(57.22)
Diluted earnings per share (cents per share)	27.39	43.78	(57.22)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted as part of remuneration	Additions	Share buy-back	Balance at the end of the year
<i>Ordinary shares</i>					
Peter Mansell	-	-	-	-	-
Kathleen Bozanic	-	-	-	-	-
Kenneth Thomas	-	-	-	-	-
Leon Uys	4,123,340	-	-	-	4,123,340
Les Guthrie	-	-	-	-	-
Paul Salomon	-	-	-	-	-
Rafael Eliasov	-	-	-	-	-
Jean Nel	-	-	-	-	-
Andrew Naude*	1,421,241	-	-	(62,974)	1,358,267
Greg McRostie	461,650	-	-	(10)	461,640
Adam Buckler	-	-	-	-	-
Alistair Hodgkinson	1,015,760	-	-	(19,802)	995,958
	<u>7,021,991</u>	<u>-</u>	<u>-</u>	<u>(82,786)</u>	<u>6,939,205</u>

* VMF Investments Ltd owns 7,286,011 shares in DRA Global Limited. This entity is owned and controlled by the VMF Investment Trust. Family entities associated with Andrew Naude, Chief Executive Officer of the Company is one of the beneficiaries of the VMF Investment Trust. Andrew Naude is not a trustee of the VMF Investment Trust nor does he exercise control over VMF Investments or the VMF Investment Trust. Final attributable interests in DRA shares by beneficiaries of the VMF Investment Trust cannot be quantified as long as these shares are owned by VMF Investments Ltd. The shareholdings disclosed for Andrew Naude excludes any shares held by VMF Investments Ltd.

Options

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted as part of remuneration	Exercised	Expired/ forfeited/ other	Balance at the end of the year Vested and exercisable	Unvested
<i>Options over ordinary shares</i>						
Peter Mansell#	-	-	-	-	-	-
Kathleen Bozanic#	-	-	-	-	-	-
Kenneth Thomas#	-	-	-	-	-	-
Les Guthrie#	-	-	-	-	-	-
Andrew Naude*	-	-	-	-	-	-
Greg McRostie*	-	-	-	-	-	-
Adam Buckler*	-	-	-	-	-	-
Alistair Hodgkinson* ^	-	70,000	-	-	-	70,000
	<u>-</u>	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,000</u>

DRA Global Limited
Remuneration report
31 December 2020

These independent non-executive directors are entitled to be issued options under the DRA Global Limited Employee Share Scheme to the value of 25% of their cash remuneration from appointment to 30 June 2021 if the Company is listed on the ASX by 30 June 2021, otherwise they will receive a lump sum cash payment unless a later date is agreed. No options have been issued to the non-executive directors as at 31 December 2020.

* These individuals have been granted options over ordinary shares under the FY2020 Share Option Plan to a certain value where the number of options to be issued will be determined based on the Company's share price after listing and therefore not included in the above table. Refer to "share-based payments" section of the remuneration report for more details.

^ Alistair Hodgkinson was granted 70,000 options under the One-Off Share Option Plan.

Loans to key management personnel and their related parties

Loans were advanced to certain employees including key management personnel to enable the purchase of shares in the Company, or to settle tax liabilities incurred by these employees as a result of the Company electing to settle Legacy LTIP by issuing shares in DRA Global Limited to these employees in prior years.

In May 2019, DRA Global Limited's shareholders approved a buy-back of sufficient shares from these employees to settle the loans owing to the Company arising from payment of tax liabilities on behalf of these employees. The share buy-back was completed during the year.

The remaining loans were loans to purchase shares. These loans accrue interest at the South African official prime interest rate less 2.5%, currently 4.5% (2019: 7.25%) and do not have fixed terms of repayment. Dividends declared (if any) that accrue to the underlying shares are applied to service these loans.

These loans owing from key management personnel are as follow:

	Balance at the start of the year \$	Interest paid and payable for the year \$	Settlement of loan with share buy- back \$	Interest not charged \$	Exchange difference \$	Balance at the end of the year \$	Highest indebtedness during the year \$
Andrew Naude*	526,456	8,487	(461,599)	-	(73,344)	-	526,456
Alistair Hodgkinson	2,552,571	119,814	(145,075)	-	(314,154)	2,213,155	2,552,571
	<u>3,079,027</u>	<u>128,301</u>	<u>(606,674)</u>	<u>-</u>	<u>(387,498)</u>	<u>2,213,155</u>	<u>3,079,027</u>

* The above does not include a loan owed by VMF Investments Ltd of \$23,839,389 in relation to purchase of shares in the Company where Andrew Naude is the one of the named beneficiaries. This entity is owned and controlled by the VMF Investment Trust. Andrew Naude is not a trustee of the VMF Investment Trust nor does he exercise control over VMF Investments Ltd or the VMF Investment Trust.

Other transactions with key management personnel and their related parties

Greg McRostie, an Executive Director of the Company, is one of the former shareholders of Minново Pty Ltd (Minново) entered into a transaction with the Company during the year. Refer to the details below.

In 2017, the Company entered into a Share Purchase Agreement with Minново to acquire 100% of the issued share capital in Minново. The acquisition of Minново was completed in July 2018 and the former shareholders of Minново accepted cash and shares of DRA Global Limited as full consideration. The share-based consideration was accepted only on the basis that the shares of DRA Global Limited would be liquid within 18 months. The original period of 18 months has since lapsed. Whilst the Company has no obligation under the share purchase agreement to buy-back the shares, the Company has executed a formal put option agreement with the former shareholders of Minново. The put option agreement grants these former shareholders the right to sell their shares obtained from the acquisition back to the Company at the same price that the shares were issued in terms of the Share Purchase Agreement only in the event that the Company is not being listed on the ASX by 30 June 2021. The value of this put option is \$18,890,271. The put option agreement was approved at the Annual General Meeting on 29 July 2020.

This concludes the remuneration report, which has been audited.

Operating Review

Europe, Middle East and Africa (EMEA) Region

Projects

In the EMEA region, DRA delivers projects to customers under the DRA Projects and SENET brands. Organisational alignment has seen the integration of certain support functions to drive efficiencies, while the technical and project delivery capabilities of each remains unique. The SENET business unit is positioned to continue delivering projects and studies within Africa and across other jurisdictions, servicing select customers. DRA Project's long track record in Mineral Processing is supported by its growing competency in the underground engineering and project delivery space. DRA employs a workforce of over 1,300 project staff within the EMEA region. The business invests heavily in a regional graduate programme, ensuring availability of qualified and trained candidates for its future workforce.

Top projects for the EMEA region in 2020 include Kamo-a-Kakula, Northam Platinum Booyensdal, Assmang Gloria and Black Rock, Managem Tri-K, Barrick Gold Pueblo Viejo, Hummingbird Resources Kouroussa Gold FEED project as well as various projects for Anglo Platinum in South Africa and Newmont Mining in Ghana.

There were numerous innovations and notable achievements on these projects, such as:

- The Booyensdal conveyor system (RopeCon) – the longest in Africa – which facilitates material handling in mountainous terrain; and
- Kamo-a-Kakula with both the largest decline in Africa and the largest Paste backfill plant in the world. Kamo-a will ultimately be one of the largest copper producers in the world.

The region is advancing a number of key initiatives in the technological and innovation arenas by way of advisory services to global customers. Advisory support will be offered within key areas, namely:

Mining:

- Battery minerals and associated technologies
- Modernised extraction
- Autonomous vehicles

Process:

- Coarse and fine flotation
- Fine particle recovery
- Alternative crushing and dry milling
- Fine grinding
- Dry-stack disposal and backfill
- KELL Process (PGM, Gold and Base-metal refining)
- DRA teams also offer the following capabilities:
- Backfill Capability, Dry-stacked Tailings
- Process Control Offerings
- Remote support, real time remote consulting, remote operations
- Digital/Virtual commissioning

Operations

In EMEA, DRA is a leading specialist in the field of outsourced operations and maintenance (O&M) of minerals processing plants. DRA's operations offering, Minopex, employs over 2,000 staff across seven countries in the EMEA region. All sites performed well operationally, despite the many disruptions of the year including a lengthy shutdown of most mine sites which affected revenues. Letseng recorded a strong performance despite COVID-19 disruptions and a weak diamond market. Significant maintenance and engineering work was won in the Vale Moatize refurbishment programme and Minopex continued to meet customer expectations in the DRC and Tanzania and exceeded expectations at the Ad Duwayhi site in Saudi Arabia.

Strategically, 2020 was a year of re-positioning for future growth. While the business consolidated its core O&M offering, it also launched a number of new growth platforms:

- Added underground mining capabilities to position the business in the mechanised mining space.
- Develop an advisory service offering and completed a number of projects in both the Operational Readiness and the Operational Excellence arenas.
- Launched a Supply Chain Services platform to offer procurement and supply chain services.

Advisory services are centred around three distinct pillars, namely:

- Operational Readiness - Bridging the gap between construction and operations.
- Optimisation - Focus on excellence metrics within business, operations and processes.
- Expert Advisory - Access to industry technical experts to provide insights and solve complex problems within operations.

There are clear synergies between the Operations division and the Projects division in DRA. These elements help to further advance this advisory space by leveraging off the distinct skill set, experience and technical prowess of both areas within the business.

Asia-Pacific and the Americas (APAC/AMER) regions

Projects

With over 300 personnel in the APAC/AMER region, safety remains one of the biggest challenges and highest priorities. In 2020, ongoing initiatives in safety and wellness, such as employee assistance programmes and mental wellness campaigns, were implemented to achieve the goal of constant improvement in safety performance across the region. Despite COVID-19 disruptions and restrictions, the following projects were successfully completed:

- EPC contract for processing facilities on the Dargues Gold Mine in New South Wales for Big Island Mining;
- Jundee Expansion EPCM for Northern Star in Western Australia; and
- Marawai coal EP for Adaro in Indonesia.

In 2020, DRA maintained its market presence in Australia through its main regional offices in Perth, Western Australia and Brisbane, Queensland. A new office in Adelaide, South Australia was opened in July 2020 and acts as the support office for works being carried out at BHP's Olympic Dam operation.

The region demonstrated extraordinary resilience and delivered a growth year, despite pandemic conditions and restrictions. Opportunities were split almost evenly across projects and operations respectively, predominantly in the coal, precious metals and iron ore sectors, with the latter demonstrating the largest revenue growth area, for tier-1 customers such as BHP and RioTinto.

Key projects currently in execution include the Coal Handling Processing Plant at Bravus' Carmichael project, Kalium Lake's Beyondie Potash project, projects at BHP's Olympic Dam, BMA's Hay Point, key sustaining capital projects for RioTinto's iron ore operations, Glencore Coal operations, Newcrest mines' Lihir Island in PNG and the FMG Iron Bridge Fabrication Management. DRA also successfully delivered services in Russia from the APAC region including for Polyus Gold, Russia's largest gold miner. DRA's Beijing office supported FMG's Magnetite project. 2020 marked the first year of DRA's presence in South America. The Lima office was established to support the future growth in this region and grew to over 100 employees and contractors in a very short time, despite COVID-19 lockdowns and constraints.

This growth was supported by contracts from key customers such as Minera Antamina and Minera Las Bambas. In October 2020, DRA opened a second South American office in Santiago, Chile. Copper and gold projects represent the majority of work being undertaken in the Andean region with awards from Anglo American, Barrick, Dundee Precious Metals and Waterton Global. Projects and studies were delivered by integrated teams across multiple DRA offices to Anglo American Quellaveco, Management Tizert, Barrick Pueblo Viejo, Adventus Mining Curipamba and Aya Silver & Gold Zgounder.

Across the APAC/AMER region, a number of key project wins were achieved throughout the year. The forward opportunity pipeline now exceeds \$3Billion and there is a strong backlog of secured work.

DRA's APAC/AMER business continues to grow and increase its market share in line with its strategic objectives. 2021 will see the region focus on successful project delivery and the conversion of opportunities currently underway.

Operations

The APAC/AMER Operations division employs over 1,000 people. 2020 prioritised skills retention and recruitment in a competitive environment. With the outbreak of COVID-19, a heightened focus was placed on wellbeing and safety and new protocols and measures were implemented across the region with great success. Operations, similar to projects focused 2020 on ongoing initiatives in safety and wellness. This includes aspects such as employee assistance programmes and mental wellness campaigns which were implemented to greatly contribute towards achieving the goal of constant improvement in safety performance across the region.

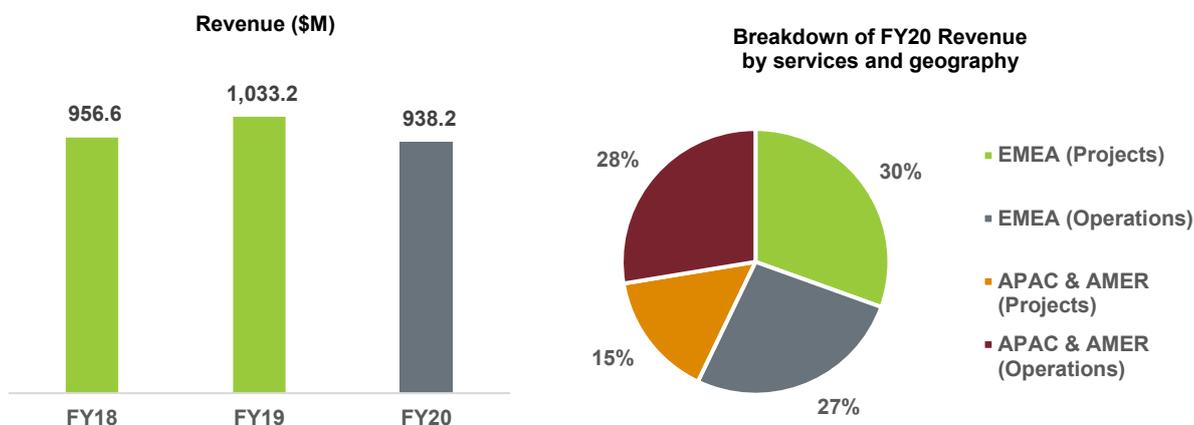
Through G&S Engineering, DRA continued to offer major maintenance of draglines, minerals and metals sustaining capital, shutdown works for processing facilities and underground longwall overhauls across Australia.

Key maintenance contracts for 2020 included work for Newmont, BHP, Rio Tinto and Anglo American among others. G&S continues to contribute strongly in the operations, maintenance and sustaining capital space and importantly provides the construction capability for DRA's full in-house EPC delivery model which is gaining recognition in the market.

DRA Energy Operations successfully operated and maintained 18 refined coal production facilities, across seven American states, providing daily plant operations and maintenance services. Health and safety measures within the business were outstanding with only one recorded "Lost Time Injury" across the USA facilities in 11 years.

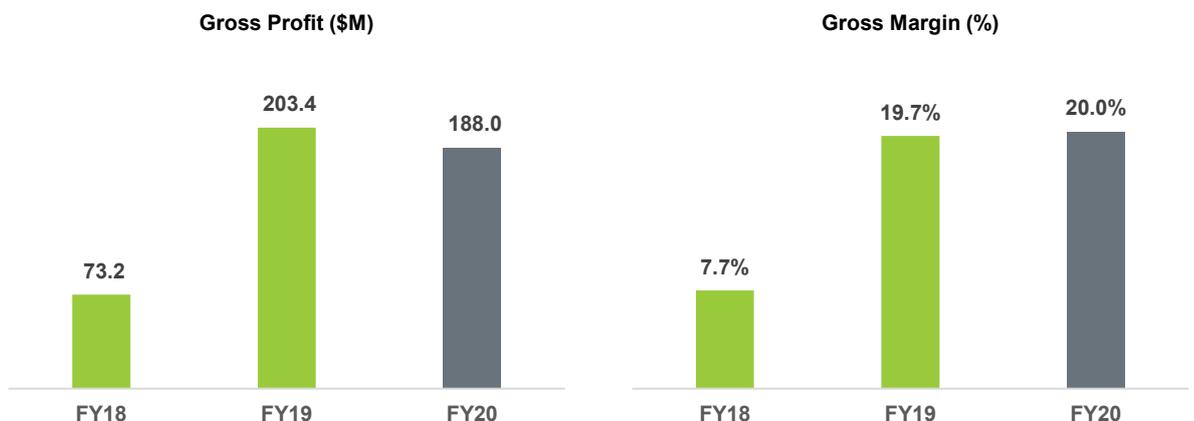
Financial Review

Revenue and Gross Profit



DRA's headquarters re-domiciled from South Africa to Australia in FY18. Since then, revenue has been maintained above \$900M. Revenue for FY20 was \$938.2M, a decrease of 9% compared to FY19. The decrease in revenue was mainly due to the unprecedented challenges brought from COVID-19 which had a material negative impact on DRA's operations division in the early part of FY20. Additionally, projects were deferred by customers and site operations were shut down. DRA reacted swiftly to these challenges and established an internal CEO and CFO led taskforce to mitigate risks to people and customers as well as to focus on business continuity and resilience.

These measures allowed DRA to recover from the initial negative impact brought on by COVID-19. Strategic diversification enabled DRA to absorb the under-performance by parts of its businesses affected by COVID-19. The COVID-19 taskforce together with the capabilities of our people also enabled DRA to capture new opportunities that arose during this challenging period.



In the past two years, DRA has focused on improving its project management oversight and contract execution and this has resulted in improvements in its gross profit margin.

FY20 gross profit was \$188.0M, a decrease of 7.6% compared to FY19. However, gross profit margin as a percentage increased in FY20 to 20.0% from 19.7% in FY19. The improvement in gross profit margin was a result of a continued focus on oversight, productivity and cost management. Going forward, DRA continues to focus on cost saving initiatives where possible, whilst delivering the highest quality service to customers in a safe environment.

FY20 reconciliation of statutory to underlying results

	FY20	FY19
	\$M	\$M
Profit after income tax for the year (NPAT)	25.6	36.0
Adjusting for:		
Income tax expense	16.5	25.2
Net finance income	(3.1)	(2.2)
Earnings before interest and tax (EBIT)	39.0	59.0
Adjusting for:		
Depreciation of right-of-use assets	9.0	7.8
Depreciation of property, plant and equipment	7.9	10.1
Amortisation of intangible assets	9.0	8.5
Earnings before interests, taxes, depreciation, and amortisation (EBITDA)	64.9	85.4

	EBITDA		EBIT		NPAT	
	FY20	FY19	FY20	FY19	FY20	FY19
	\$M	\$M	\$M	\$M	\$M	\$M
Statutory results	64.9	85.4	39.0	59.0	25.6	36.0
Adjustments:						
IPO Readiness and Operational Excellence Programs	3.3	-	3.3	-	3.3	-
Impairment of goodwill	5.7	-	5.7	-	5.7	-
Impairment of loans	0.4	0.9	0.4	0.9	-	-
Non-cash amortisation of customers relationship and brand name	-	-	6.6	7.1	6.6	7.1
Restructuring costs	0.7	-	0.7	-	0.7	-
Government grant	(2.8)	-	(2.8)	-	(2.8)	-
Legal costs and onerous provisions	4.7	4.5	4.7	4.5	4.7	4.5
Underlying results	76.9	90.8	57.6	71.5	43.8	47.6
Statutory margin as a % of total revenue	6.9%	8.3%	4.2%	5.7%	2.9%	3.5%
Underlying margin as a % of total revenue	8.2%	8.8%	6.1%	6.9%	4.8%	4.6%

Underlying EBITDA (\$76.9M in FY20 vs \$90.8M in FY19) and EBIT (\$57.6M in FY20 vs \$71.5M in FY19) was lower in FY20 compared to FY19. Lower revenue in FY20 had a direct impact on underlying EBITDA and EBIT.

Underlying EBITDA and EBIT margins for DRA were 8.2% and 6.1% in FY20, respectively. These margins were slightly lower than FY19 due to the impact of COVID-19. DRA experienced site shutdowns in its Minopex operations and delay or deferral of projects by customers due to material uncertainty. Nevertheless, DRA achieved healthy results in this challenging year.

Underlying NPAT margin as a percentage year on year is comparable (FY20:4.7% vs FY19: 4.6%) and has slightly improved from the prior year.

In arriving at the underlying EBITDA, EBIT and NPAT, several adjustments were made to the statutory results so as to reflect the underlying performance of DRA:

- IPO Readiness and Operational Excellence Programmes – DRA incurred approximately \$3.3M of consulting and professional fees to review, improve and standardise the current existing processes in different parts of its businesses to prepare DRA for an IPO. These expenses are not expected to be recurring once the IPO is completed.
- Impairment of goodwill – an impairment loss of \$5.7M was recorded in FY20 in relation to DRA's Americas Cash Generating Unit (CGU). The impairment loss will not have a cash flow impact in the current and future period and is not representative of the DRA's underlying financial performance in the current year as the impairment is based on future performance of the CGU.
- Impairment of loans – relates to capitalised interest income on existing loans which have been impaired. An adjustment was made to EBIT and EBITDA as the impairment losses distorted the underlying financial performance of DRA's core operations.
- Non-cash amortisation of customers relationship and brand name (intangible assets) – the adjustment was in relation to intangible assets acquired through business combinations which have no impact on the underlying financial performance of DRA.
- Restructuring costs – DRA incurred restructuring costs in one of its partially owned subsidiaries to improve its profitability and operational effectiveness. These restructuring costs are not recurring and not reflective of underlying financial performance.

DRA Global Limited
Operating and Financial Review
31 December 2020

- Government grant – DRA’s operations in Australia received Job Keeper payments in FY20 as part of the COVID-19 relief package introduced by the Australian Government. These payments were used to subsidise wages of employees during the period where the affected entities were facing project deferral and reduced work as a result of COVID-19.
- Legal costs – DRA incurred or provided for legal expenses on claims relating to prior years on onerous contracts. These expenses have been adjusted to provide a better representation of the financial performance and operation of DRA in FY20 and FY19.

Breakdown of underlying results by segments

	FY20				FY19			
	EMEA	APAC/ AMER	Other	Total	EMEA	APAC/ AMER	Other	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Revenue	537.7	400.5	-	938.2	681.3	351.9	-	1,033.2
Statutory EBIT	43.8	5.1	(9.9)	39.0	50.2	16.9	(8.1)	59.0
IPO Readiness and Operational Excellence Programs	1.9	1.4	-	3.3	-	-	-	-
Impairment of goodwill	-	-	5.7	5.7	-	-	-	-
Impairment of loans	0.4	-	-	0.4	0.9	-	-	0.9
Non-cash amortisation of customers relationship and brand name	-	-	6.6	6.6	-	-	7.1	7.1
Restructuring costs	0.7	-	-	0.7	-	-	-	-
Government grant	-	(2.8)	-	(2.8)	-	-	-	-
Legal costs and onerous provision	-	4.7	-	4.7	-	4.5	-	4.5
Underlying EBIT	46.8	8.4	2.4	57.6	51.1	21.4	(1.0)	71.5
Underlying EBIT margin	8.7%	2.1%	N/A	6.1%	7.5%	6.1%	N/A	6.9%

EMEA

Revenue decreased by 21% to \$537.7M in FY20 compared to FY19. This was mainly due to the impact of COVID-19 as well as contract mix.

Some project opportunities were deferred by customers due to global uncertainty and financing constraints. During the first half of 2020, site shutdowns by governments and customers severely impacted the outsourced operations services. These services have since recovered to business as usual. The results in the region were underpinned by major projects won in FY19 such as Kamo-Kakula Copper Project, Tri-K Gold Project and Gloria Manganese Project. Cost saving initiatives were introduced in all parts of the businesses which had a positive impact to the underlying EBIT margin. Underlying EBIT margin improved to 8.7% in FY20 as compared to 7.5% in FY19 which has minimised the impact of the decrease in revenue. Significant earnings in the EMEA region are from entities with South African Rand as the functional currency. In FY20, the South African Rand depreciated 13% against the Australian Dollar which also contributed to a decline in earnings in FY20 as compared to FY19.

DRA Global Limited
Operating and Financial Review
31 December 2020

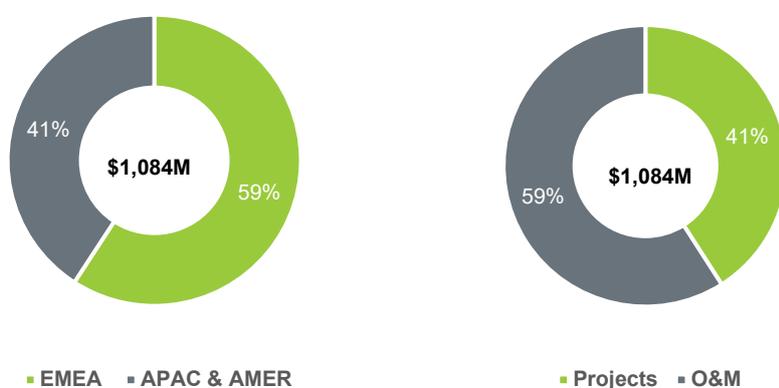
APAC/AMER

In the APAC/AMER region, DRA is focusing on expanding its customer base and brand in order to drive the next phase of growth in the group. Revenue increased by 14% in FY20 to \$400.5M compared to FY19. However, EBIT decreased approximately 61% year on year to \$8.4M as a result of an investment in overheads to support DRA's growth strategy.

The key highlights of this region are as follows:

- The APAC region which forms more than 70% of the revenue in the APAC/AMER segment continued to experience revenue growth despite a challenging environment in FY20. Revenue grew approximately 9.1% to \$316.9M in FY20 compared to FY19. The growth in revenue did not translate into a higher EBIT due to higher overheads invested to build capacity to secure and bid for new additional work. At the end of FY20, DRA has secured work of approximately \$367M to be executed in APAC over the next two years;
- A new presence in Latin America was established during the year and is expected to drive new opportunities for DRA in the next few years; and
- The contribution from the Energy Operations services in North America declined due to a combination of factors including a mild winter and a reduction of industrial demand. The projects offering was affected by the deferral of projects due to COVID-19.

FY20 - Work in hand by type of services and geography



DRA increased its work in hand (which represents secured work not yet performed) by more than 80% compared to the prior year. More than 70% of this work in hand is expected to be executed in the coming FY21.

Work in hand continues to reflect increased diversification across different services and geography. DRA's work in hand was split 59% and 41% across EMEA and APAC/AMER respectively and 41% and 59% across Projects and Operations. Diversification of revenues has helped DRA to weather the challenges in FY20 and will remain a focus for future periods.

Financial position

	FY20	FY19	Variance	%	Note
	\$M	\$M	\$M		
Cash	204.8	126.7	78.1	62%	(a)
Net working capital	(31.3)	21.7	(53.0)	(244%)	(b)
Intangible assets	117.8	138.8	(21.0)	(15%)	(c)
Fixed assets and investments	20.1	23.1	(3.0)	(13%)	(d)
Other financial assets	19.6	23.3	(3.7)	(16%)	(e)
Other financial liabilities	(19.9)	-	(19.9)	NA	(f)
Interest-bearing borrowings	(1.2)	(0.3)	(0.9)	274%	(g)
Provision	(49.6)	(56.4)	6.8	(12%)	(h)
Net lease liabilities	(3.3)	(3.1)	(0.2)	6%	(i)
Net tax assets	51.6	58.3	(6.7)	(11%)	(j)
Net assets	308.6	332.1	(23.5)		

(a) Cash

Cash increased by 62% to \$204.8M during the year. DRA has put significant effort on improving cashflows generation from its underlying operations. The cash balance increased predominately through the increase in cash flows from operations, and better working capital management including advanced payment from customers.

(b) Net working capital

Net working capital comprises trade and other receivables, contract assets and inventories. This is offset by trade and other payables, contract liabilities and employee benefits. Net working capital invested in FY20 reduced by \$53M to (\$31.3M) compared to FY19. The decrease in net working capital was substantially due to the focus on improving recovery of trade receivables and receiving higher advance payments from customers' major projects.

(c) Intangible assets

Intangible assets comprise goodwill, brand, customer relationship, software and patents. The majority of intangible assets were acquired through business consolidations. In FY20, a non-cash impairment of \$5.7M was made to DRA's Energy Operation unit. Energy Operations still expect to be profitable in FY21, but is expected to reduce its activities significantly from FY22 onwards unless the tax incentive scheme in relation to its operation is renewed beyond FY21. The remaining movement in intangible assets was due to annual amortisation expenses of \$9M translation losses of \$8.7M on DRA's intangible assets, net addition of software of \$1.4M and addition of goodwill of \$1M from a small acquisition made in FY20.

(d) Fixed assets and investments

Fixed assets and investments were approximately 3% of total assets in FY20 (FY19: 4%). Most of DRA's activities are not capital intensive and do not require high capital expenditure.

(e) Other financial assets

Other financial assets comprise of investments in listed shares and non-listed shares, loans due from employees and legacy loans to customers. The decrease of \$3.7M in FY20 to \$19.6M in FY19 was mainly due to a share buyback which offset some of these loans due from employees.

(f) Other financial liabilities

The increase in other financial liabilities in FY20 of \$19.9M compared to FY19 was due to the recognition of a put option liability during the year. The liability arose from a put option agreement entered into with the former Minnovio shareholders to purchase their shares in the Company should the Company not be listed by 30 June 2021. DRA is not expecting any cash outflows from this transaction as it is in the process of preparing for listing in the first half of FY21. The put option liability was required to be recorded under AASB 132 *Financial Instruments – Presentation* as the Company cannot be considered to fully control the outcome of the listing process. DRA also recorded \$1.0M of contingent consideration in relation to a small business consolidation in FY20.

(g) Interest-bearing borrowings

DRA has minimal borrowings in FY20 and FY19 and has sufficient liquidity. The interest-bearing borrowings amount was \$1.2M in FY20 (FY19: \$0.3M). These borrowings relate to funding provided by minority shareholders of partially owned subsidiaries controlled by DRA and insurance premium funding arrangements entered into by some of DRA's subsidiaries for their annual insurance premiums.

(h) Provisions

DRA continues to hold provisions for loss making contracts identified in prior years and new warranty obligations that arose from its current contracts. The amount of provision decreased by \$6.8M to \$49.6M in FY20 compared to FY19. The decrease was mainly due to the utilisation of provisions during the year. There were no new loss-making contracts identified in FY20.

(i) Net lease liabilities

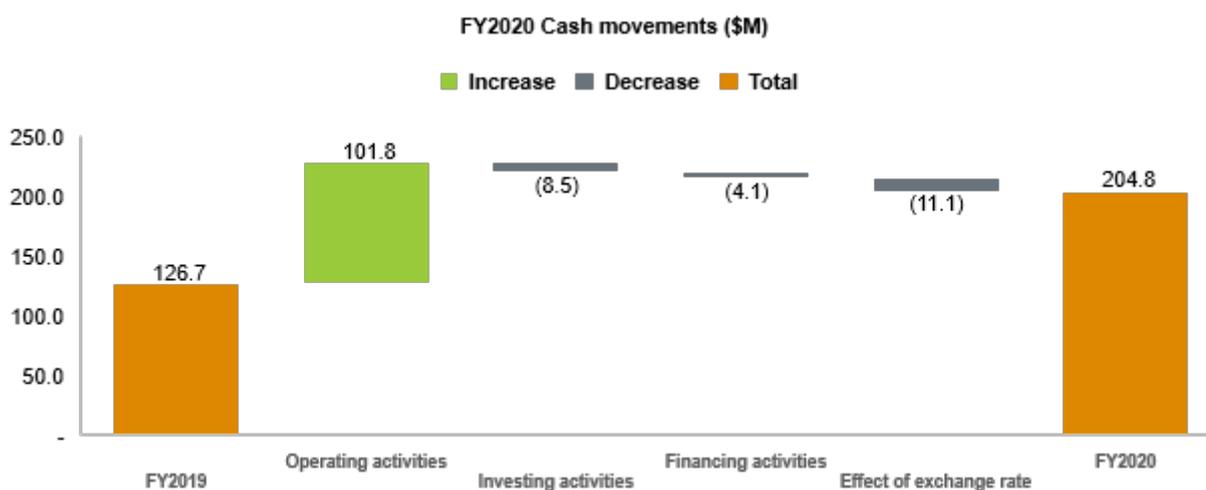
Net lease liabilities comprise right-to-use assets offset by lease liabilities which mainly consist of the lease of buildings, premises and motor vehicles. Net lease liabilities were \$3.3M in FY20 comparable to FY19 of \$3.1M. Right-to-use assets depreciated slightly faster than the reduction of the lease liabilities through lease payments at the early stage of the lease periods resulting in net lease liabilities. The addition of right-to-use assets during the year was \$27.2M as a result of signing a long-term new office lease space in South Africa which is offset by the recognition of the same amount in lease liabilities.

(j) Net tax assets

Net tax assets comprise deferred tax assets and current tax receivables offset by deferred tax liabilities and current tax payable. Net tax assets decreased by \$6.7M in FY20 to \$51.6M as compared to FY19. The decrease in net tax assets was mainly due to higher current tax payable as DRA continued to be profitable.

Cash flows

	FY20	FY19
	\$M	\$M
Cash flows from operating activities	101.8	25.0
Cash flows from investing activities	(8.5)	(79.1)
Cash flows from financing activities	(4.1)	56.0
Effect of exchange rate changes on cash and cash equivalents	(11.1)	(0.8)
Opening cash position	126.7	125.6
Closing cash position	204.8	126.7



Cash flows from operating activities

Operating cash flows improved significantly by more than 340% from \$25.0 in FY19 to \$101.8M in FY20. This was achieved through a strict focus on cash conversion from EBITDA, negotiation of advance payments for large projects and collection of receivables at the start of FY20. The improvement in cash inflows from operating activities demonstrated strong underlying cash flow capabilities across the businesses in DRA in an uncertain and challenging economic environment.

Cash flows from investing activities

Net cash outflows from investing activities were \$8.5M in FY20, a significant reduction from \$79.1M in FY19. Net cash outflows from investing activities have reduced significantly as DRA did not make any material acquisitions in FY20. A large portion of the cash in FY19 was used to acquire New Senet Pty Ltd (SENET).

Cash flows from financing activities

Net cash outflows from financing activities were \$4.1M in FY20 compared to net cash inflows of \$56.0M in FY19. The net cash inflows from FY19 arose from the proceeds of the issue of shares used to finance the acquisition of SENET. The net cash outflows in FY20 were due to lease payments of \$8.4M partially offset by proceeds from share issues. In FY20, there was additional cash inflows of \$3.9M through shares issued to management of SENET. The additional buy-in from management of SENET was designed to retain and motivate management of SENET beyond the earn-out periods after the acquisition made in FY19.

Foreign exchange effect on cash and cash equivalents

As of 31 December 2020, 73% of cash was denominated in United States Dollars (USD) and South African Rand (ZAR). The Australian Dollar (AUD), which is the Company's presentation currency, has strengthened against these two currencies by approximately 9% and 12.2% respectively in FY20 when compared to FY19. The appreciation of AUD against USD and ZAR have resulted in an exchange loss when translating cash to AUD for cash flow presentation purposes.

DRA Global Limited
Consolidated statement of profit or loss
For the year ended 31 December 2020

	Note	2020 \$'000	2019 \$'000
Continuing operations			
Revenue	3	938,249	1,033,219
Cost of sales		<u>(750,211)</u>	<u>(829,785)</u>
Gross profit		<u>188,038</u>	<u>203,434</u>
Other income	4	5,080	2,849
Other gains/(losses) – net	5	7,546	(221)
Advertising and marketing expenses		(851)	(1,122)
General and administrative expenses		(161,166)	(146,516)
Share of net profit of associates accounted for using the equity method	33	<u>367</u>	<u>580</u>
Earnings before interest and tax		39,014	59,004
Net finance income	7	<u>3,111</u>	<u>2,194</u>
Profit before income tax expense	6	42,125	61,198
Income tax expense	8	<u>(16,506)</u>	<u>(25,189)</u>
Profit after income tax expense for the year		<u><u>25,619</u></u>	<u><u>36,009</u></u>
Profit for the year is attributable to:			
Non-controlling interest		2,474	160
Owners of DRA Global Limited		<u>23,145</u>	<u>35,849</u>
		<u><u>25,619</u></u>	<u><u>36,009</u></u>
		Cents	Cents
Earnings per share for profit attributable to the owners of DRA Global Limited			
Basic earnings per share	9	27.49	43.78
Diluted earnings per share	9	27.39	43.78

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes

DRA Global Limited
Consolidated statement of other comprehensive income
For the year ended 31 December 2020

	2020	2019
	\$'000	\$'000
Profit after income tax expense for the year	25,619	36,009
Other comprehensive (loss)/income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	(32,406)	3,219
Other comprehensive (loss)/income for the year, net of tax	(32,406)	3,219
Total comprehensive (loss)/income for the year	(6,787)	39,228
Total comprehensive (loss)/income for the year is attributable to:		
Non-controlling interest	2,511	161
Owners of DRA Global Limited	(9,298)	39,067
	(6,787)	39,228

The above consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes

DRA Global Limited
Consolidated statement of financial position
As at 31 December 2020

	Note	2020 \$'000	2019 \$'000
Assets			
Current assets			
Cash and cash equivalents	10	204,809	126,735
Trade and other receivables	11	125,210	145,503
Contract assets	3	38,587	21,982
Inventories		4,099	4,916
Financial assets at fair value through profit or loss	12	3,160	3,454
Other financial assets at amortised cost	13	3,822	7,914
Current income tax assets		5,505	10,912
		<u>385,192</u>	<u>321,416</u>
Assets of disposal groups classified as held for sale		59	302
Total current assets		<u>385,251</u>	<u>321,718</u>
Non-current assets			
Trade and other receivables	11	-	8,234
Investments accounted for using the equity method	33	2,154	2,318
Other financial assets at amortised cost	13	12,642	11,919
Property, plant and equipment	14	17,889	20,414
Right-of-use assets	15	37,338	20,022
Intangibles and goodwill	16	117,891	138,822
Deferred tax assets	8	57,031	62,912
Total non-current assets		<u>244,945</u>	<u>264,641</u>
Total assets		<u>630,196</u>	<u>586,359</u>
Liabilities			
Current liabilities			
Trade and other payables	17	108,515	77,394
Contract liabilities	3	53,718	45,289
Interest-bearing borrowings	18	932	321
Leases liabilities	15	9,013	7,699
Current income tax liabilities		7,212	3,343
Employee benefits	19	35,887	34,741
Provisions	20	49,600	56,395
Other financial liabilities	21	18,890	-
Total current liabilities		<u>283,767</u>	<u>225,182</u>
Non-current liabilities			
Interest-bearing borrowings	18	250	-
Leases liabilities	15	31,659	15,409
Deferred tax liabilities	8	3,615	12,200
Employee benefits	19	1,269	1,495
Other financial liabilities	21	1,004	-
Total non-current liabilities		<u>37,797</u>	<u>29,104</u>
Total liabilities		<u>321,564</u>	<u>254,286</u>
Net assets		<u>308,632</u>	<u>332,073</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

DRA Global Limited
Consolidated statement of financial position
As at 31 December 2020

	Note	2020 \$'000	2019 \$'000
Equity			
Issued capital	22	162,547	162,788
Reserves	23	6,000	55,322
Retained earnings		133,935	110,790
Equity attributable to the owners of DRA Global Limited		302,482	328,900
Non-controlling interests		6,150	3,173
Total equity		308,632	332,073

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

DRA Global Limited
Consolidated statement of changes in equity
For the year ended 31 December 2020

	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 January 2019	99,548	51,637	74,942	3,012	229,139
Profit after income tax expense for the year	-	-	35,849	160	36,009
Other comprehensive income for the year, net of tax	-	3,218	-	1	3,219
Total comprehensive income for the year	-	3,218	35,849	161	39,228
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 36)	-	301	-	-	301
Business combinations	64,548	-	-	-	64,548
Reallocation from retained earnings to non-distributable reserve	-	1	(1)	-	-
Earnings to non-distributable reserve	-	165	-	-	165
Issue of ordinary shares (note 22)	250	-	-	-	250
Buy-back shares (note 22)	(1,558)	-	-	-	(1,558)
Balance at 31 December 2019	<u>162,788</u>	<u>55,322</u>	<u>110,790</u>	<u>3,173</u>	<u>332,073</u>
	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 January 2020	162,788	55,322	110,790	3,173	332,073
Profit after income tax expense for the year	-	-	23,145	2,474	25,619
Other comprehensive (loss)/income for the year, net of tax	-	(32,443)	-	37	(32,406)
Total comprehensive (loss)/income for the year	-	(32,443)	23,145	2,511	(6,787)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 36)	-	2,011	-	-	2,011
Business combinations	-	-	-	466	466
Put option (note 21)	-	(18,890)	-	-	(18,890)
Issue of ordinary shares (note 22)	3,956	-	-	-	3,956
Buy back shares (note 22)	(4,197)	-	-	-	(4,197)
Balance at 31 December 2020	<u>162,547</u>	<u>6,000</u>	<u>133,935</u>	<u>6,150</u>	<u>308,632</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

DRA Global Limited
Consolidated statement of cash flows
For the year ended 31 December 2020

	Note	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Receipts from customers		960,955	1,064,130
Payments to suppliers and employees		<u>(853,626)</u>	<u>(1,009,160)</u>
		107,329	54,970
Finance income received		3,333	2,749
Finance cost paid		(2,391)	(3,361)
Income tax paid		<u>(6,397)</u>	<u>(29,312)</u>
Net cash from operating activities	35	<u>101,874</u>	<u>25,046</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(8,373)	(5,137)
Proceeds from sale of property, plant and equipment		2,330	2,681
Payment received from finance lease		-	1,668
Payment for intellectual property and software development costs		(1,868)	(3,074)
Net sale of software		441	763
Business combinations, net of cash acquired		(140)	(81,394)
Repayment of loans by third party		559	1,540
Proceeds from sale of other financial assets		451	3,843
Loans to shareholders (employees)		<u>(1,946)</u>	<u>-</u>
Net cash used in investing activities		<u>(8,546)</u>	<u>(79,110)</u>
Cash flows from financing activities			
Proceeds from borrowings		2,579	12,242
Principal elements of borrowings		(2,157)	(14,701)
Principal elements of lease payments		(8,456)	(6,097)
Proceeds from issues of shares		<u>3,956</u>	<u>64,548</u>
Net cash (used in)/from financing activities		<u>(4,078)</u>	<u>55,992</u>
Net increase in cash and cash equivalents		89,250	1,928
Cash and cash equivalents at the beginning of the financial year		126,735	125,626
Effects of exchange rate changes on cash and cash equivalents		<u>(11,176)</u>	<u>(819)</u>
Cash and cash equivalents at the end of the financial year	10	<u><u>204,809</u></u>	<u><u>126,735</u></u>

Refer to note 35 for information on non-cash financing and investing activities.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 1. Basis of preparation	35
RESULTS	
Note 2. Operating segments	36
Note 3. Revenue	38
Note 4. Other income	41
Note 5. Other gains/(losses) – net	41
Note 6. Expenses	42
Note 7. Net finance income	42
Note 8. Income tax	43
Note 9. Earnings per share (EPS)	46
FINANCIAL POSITION	
Note 10. Cash and cash equivalents	46
Note 11. Trade and other receivables	47
Note 12. Financial assets at fair value through profit or loss	47
Note 13. Other financial assets at amortised cost	48
Note 14. Property, plant and equipment	48
Note 15. Leases	50
Note 16. Intangibles and goodwill	52
Note 17. Trade and other payables	55
Note 18. Interest-bearing borrowings	55
Note 19. Employee benefits	56
Note 20. Provisions	57
Note 21. Other financial liabilities	58
CAPITAL AND RISK MANAGEMENT	
Note 22. Issued capital	59
Note 23. Reserves	60
Note 24. Dividends	61
Note 25. Financial instruments	61
Note 26. Contingencies	64
Note 27. Commitments	64
Note 28. Events after the reporting period	65
GROUP STRUCTURE AND OTHER INFORMATION	
Note 29. Related party transactions	65
Note 30. Parent entity information	66
Note 31. Business combinations	67
Note 32. Interests in subsidiaries	68
Note 33. Interests in associates	69
Note 34. Interests in joint operations	69
Note 35. Cash flow information	70
Note 36. Share-based payments	71
Note 37. Remuneration of auditors	74
Note 38. New standards and interpretations	75
Note 39. Other significant accounting policies	75

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 1. Basis of preparation

Introduction

DRA Global Limited (the Company) is a company domiciled in Australia. The consolidated financial statements of the Company comprise the Company and its controlled entities (the Group) and the Group's interest in associates and joint arrangements.

DRA Global Limited is a for-profit entity for the purpose of preparing the financial statements. These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements of the Group also complies with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB).

The financial statements have been prepared under the historical cost convention, except for financial instruments, property, plant and equipment that have been measured at fair value in initial accounting of a business combination.

The Group is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in these financial statements have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. A list of significant controlled entities (subsidiaries) at year end is contained in note 32 Interest in subsidiaries.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Foreign currency translation

The financial statements are presented in Australian dollars, which is DRA Global Limited's functional and presentation currency.

Transactions denominated in foreign currencies are initially recorded in the functional currency using the exchange rate ruling at the date of the underlying transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange at year end. Exchange gains or losses on retranslation are included in profit or loss, with the exception of foreign exchange gains or losses on foreign currency provisions for closure and rehabilitation which are capitalised in property, plant and equipment for operating sites.

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each reporting period presented are translated at the closing rate at the reporting date,
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Accounting judgements and estimates

In preparing the Group annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the Group annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Group annual financial statements. Significant estimates and judgements include:

- Revenue recognition (note 3)
- Taxation (note 8)
- Useful lives of assets (note 14)
- Impairment of non-financial assets (note 14)
- Intangibles and goodwill (note 16)
- Provision for loss making contracts (note 20)
- Estimation of contingent consideration and option liabilities (note 21)
- Impairment of financial assets (note 25)
- Contingent liabilities (note 26)
- Share-based payments (note 36)

Comparative figures

Where required by the Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 1. Basis of preparation (continued)

Significant accounting policies

Significant accounting policies are included in the respective notes or note 39.

Note 2. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) in DRA.

The CODM assesses the financial performance and position of the Group and makes strategic decisions. The CODM consists of the Chief Executive Officer, the Chief Financial Officer and the Executive Vice President of each operating segment.

Identification of reportable operating segments

The CODM has identified its operating segments based on the internal reports that are used in assessing performance and in determining the allocation of resources. Operating segments are identified based on the geographical regions of operation.

The Group aggregates two or more operating segments into a single reportable operating segment when the Group has assessed and determined the aggregated operating segments share similar economic and geographical characteristics, such as the type of customers for the Group's services and similar expected growth rates and regulatory environment.

The Group has the following reportable segments:

- Europe, Middle East and Africa (EMEA) - this part of the business provides project and/or operation services in the mining industries throughout the EMEA region.
- Asia Pacific and Americas (APAC/AMER) - this part of the business provides project and/or operation services in the mining and energy industries in the Asia Pacific, North and South Americas regions.

The following items are not allocated to operating segments as they are not considered part of the core trading operations of any segment:

- Corporate overheads;
- Group finance;
- Information technology;
- Origination;
- Treasury;
- Corporate secretarial; and
- Certain strategic investments.

These amounts are presented in the 'Others (unallocated)' column in the operating segment information below.

The performance of each segment forms the basis of all reporting to the CODM and the Board. The CODM and the Board primarily uses Earnings Before Interest and Tax (EBIT) to assess the performance of a segment. It will also review the assets and working capital of each segment on a regular basis. The accounting policies adopted for internal reporting to the CODM and the Board are consistent with those adopted in the financial statements.

In reporting the EBIT to the CODM and the Board, results for the normal operations of the segment separately show reporting of the effect of significant items of income and expenditure which may have an impact on the quality of earnings such as depreciation and amortisation, impairment losses, share-based payments and others.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 2. Operating segments (continued)

Operating segment information

2020	EMEA \$'000	APAC/AMER \$'000	Others (unallocated) \$'000	Total \$'000
Revenue				
Segment revenue	549,323	404,361	21,910	975,594
Inter-segment revenue	(11,561)	(3,874)	(21,910)	(37,345)
Total revenue	<u>537,762</u>	<u>400,487</u>	<u>-</u>	<u>938,249</u>
EBIT				
Finance income	3,309	1,311	881	5,501
Finance expense	(1,309)	(2,615)	1,534	(2,390)
Profit/(loss) before income tax expense	<u>45,834</u>	<u>3,797</u>	<u>(7,506)</u>	<u>42,125</u>
Income tax expense				(16,506)
Profit after income tax expense				<u>25,619</u>
<i>Material items include:</i>				
Share of profits of associates	367	-	-	367
Share-based payment expenses	-	-	(2,011)	(2,011)
Net impairment losses on trade receivables and contract assets	(2,774)	(419)	819	(2,374)
Impairment of goodwill	-	-	(5,713)	(5,713)
Depreciation of property, plant and equipment	(6,772)	(8,472)	(1,635)	(16,879)
Amortisation of intangible assets	(806)	(7)	(8,177)	(8,990)
Assets				
Segment assets	347,034	146,424	136,738	630,196
Total assets				<u>630,196</u>
<i>Total assets include:</i>				
Investments in associates	2,318	-	-	2,318
Acquisition of non-current assets	26,966	9,528	2,167	38,661
Liabilities				
Segment liabilities	195,506	122,168	3,890	321,564
Total liabilities				<u>321,564</u>

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 2. Operating segments (continued)

	EMEA*	APAC/AMER*	Others (unallocated)	Total
	\$'000	\$'000	\$'000	\$'000
2019				
Revenue				
Segment revenue	685,847	354,223	13,263	1,053,333
Inter-segment revenue	(4,541)	(2,310)	(13,263)	(20,114)
Total revenue	<u>681,306</u>	<u>351,913</u>	<u>-</u>	<u>1,033,219</u>
EBIT	50,175	16,891	(8,062)	59,004
Finance income	3,652	1,313	590	5,555
Finance expense	(1,874)	(1,858)	371	(3,361)
Profit/(loss) before income tax expense	<u>51,953</u>	<u>16,346</u>	<u>(7,101)</u>	<u>61,198</u>
Income tax expense				(25,189)
Profit after income tax expense				<u>36,009</u>
<i>Material items include:</i>				
Share of profits of associates	580	-	-	580
Share-based payment expenses	-	-	(301)	(301)
Net impairment losses on trade receivables and contract assets	(6,283)	(835)	1,694	(5,424)
Depreciation of property, plant and equipment	(8,854)	(7,442)	(1,515)	(17,811)
Amortisation of intangible assets	(1,732)	(6)	(6,807)	(8,545)
Assets				
Segment assets	305,896	137,405	143,058	586,359
Total assets				<u>586,359</u>
<i>Total assets include:</i>				
Investments in associates	2,318	-	-	2,318
Acquisition of non-current assets	11,310	6,417	79,403	97,130
Liabilities				
Segment liabilities	176,566	118,014	(40,294)	254,286
Total liabilities				<u>254,286</u>

* FY2019 reportable segment information is restated to conform with the current period presentation as required by AASB 8 *Operating Segments*.

Note 3. Revenue

Disaggregation of revenue by major service lines and geographical regions:

	EMEA	APAC/AMER	Others (unallocated)	Total
	\$'000	\$'000	\$'000	\$'000
2020				
<i>Revenue recognised over time:</i>				
Projects	286,201	141,598	-	427,799
Operations	249,128	258,889	-	508,017
Other	2,433	-	-	2,433
	<u>537,762</u>	<u>400,487</u>	<u>-</u>	<u>938,249</u>
2019				
<i>Revenue recognised over time:</i>				
Projects	380,833	150,823	-	531,656
Operations	297,125	201,090	-	498,215
Other	3,348	-	-	3,348
	<u>681,306</u>	<u>351,913</u>	<u>-</u>	<u>1,033,219</u>

Note 3. Revenue (continued)

Recognition and measurement

The Group provides project and operation services to its customers. Revenue is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group is expected to be entitled in exchange of those goods or service. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods and services before transferring them to the customer.

Project revenue

The Group is principally involved in the projects through provision of consulting services that includes the assessment of mineral projects through the completion of feasibility studies and design and construction of mineral process plants. These activities involve extensive engineering expertise in the engineering disciplines of process, electrical and instrumentation, mechanical, civil and structural and infrastructure as well as the associated disciplines of project management, materials handling and procurement.

These projects generally contain one performance obligation due to the highly integrated activities, that in combination, forms the deliverable for the contract with the client. The activities cannot easily be distinguished one from the other. In rare circumstances, some projects will have multiple performance obligations. For these contracts, the total value of the contract will be allocated to the individual performance obligations based on standalone selling price.

Work is typically performed on assets that are controlled by the customers or on assets that have no alternative use to the Group, with the Group having right to payment for performance to date. As performance obligations are satisfied over time, project revenue is recognised over time using input methods such as labour hours expended or costs incurred.

Operation revenue

The Group also derives operation revenue from fixed term contracts involving the operation and maintenance of mineral process plants, which includes associated services relating to metallurgical quality management, control and analysis as well as process optimisation.

Under these contracts, the services are delivered through the provision of labour and specialist capabilities in systems integration, recruitment and human resource management, skills development and training, purchasing and cost control, stores and asset management, health and safety and environmental management. These services provided are the performance obligation in respect of each contract.

The contracts are typically structured at a fixed price per month over the contract period. Additional costs incurred on behalf of a client on an ad hoc basis are recoverable from the client on a reimbursable basis. These additional costs are a separate distinct performance obligation per the contract.

Performance obligations are fulfilled over time as the Group largely enhances assets which the customer controls. Operation revenue is recognised when the services are rendered based on the amount of the expected transaction price allocated to each performance obligation noted above typically based a schedule of rates or a cost-plus basis.

Customers are generally invoiced monthly as per the structure of the contract, which are aligned with the stand-alone selling prices for each performance obligation. Payment is received following invoice on normal commercial terms.

Costs to fulfil a contract

Costs incurred prior to the commencement of a contract may arise due to mobilisation or site setup costs. Where these costs are expected to be recovered, they are capitalised and amortised over the course of the contract consistent with the transfer of service to the customer.

Variable consideration

It is common for contracts to include performance bonuses or penalties assessed against the timeliness or cost effectiveness of work completed or other performance related indicators. Where consideration in respect of a contract is variable, the expected value of revenue is only recognised when any uncertainty associated with the variable consideration is subsequently resolved.

Variable consideration is typically billed based on the achievability of agreed metrics in terms of clearly defined parameters. Once achieved, the Group will bill the client for the agreed amount.

In relation to variable consideration, the expected value of revenue is only recognised when it is highly probable that a significant reversal will not occur. Expected revenue is recognised consistently in a contract based on the expected value method or the most likely amount method whichever is more appropriate.

Certain contracts are subject to claims which are enforceable under the contract. If the claim does not result in any additional goods or services, the transaction price is updated and the claim accounted for as variable consideration.

Warranty and defect liability

Generally, contracts include defect and warranty periods following completion of the project. These obligations are not deemed to be separate performance obligations and are therefore estimated and included in the total costs of the contracts. Where required, amounts are recognised accordingly in line with AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

A provision is made for the difference between the expected cost of fulfilling a contract and the expected unearned portion of the Group's transaction price where the forecast costs are greater than the forecast revenue.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 3. Revenue (continued)

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Significant judgements and estimates

Expected costs to complete

For project revenue recognised using an input method based on costs incurred, management is required to estimate the expected forecast costs to complete. Fundamental to this calculation, is a reliable estimate of the total forecast costs to complete the project. The Group estimates its forecast costs to complete based on its budget derived from the tender process and reassessed at each reporting period by its project manager based on the best available information and the current progress of the project.

Transaction price

In determining transaction price (total contract revenue), variable consideration including bonuses, penalties, claims and contract variations are only included to the extent it is highly probable that a significant reversal in revenue will not occur in the future. The estimate of variable consideration is determined using the expected value method or the most likely amount depending on which method better predicts the amount of consideration to which it will be entitled.

Assets and liabilities related to contracts with customers

	2020	2019
	\$'000	\$'000
The Group has recognised the following assets and liabilities related to contracts with customers:		
<i>Current assets</i>		
Contract assets - projects	25,179	15,789
Contract assets - operations	13,408	6,193
	<u>38,587</u>	<u>21,982</u>
<i>Current liabilities</i>		
Contract liabilities - projects	48,507	44,533
Contract liabilities - operations	5,211	756
	<u>53,718</u>	<u>45,289</u>

Contract assets and liabilities

Contract assets and contract liabilities refer to what is commonly known as 'unbilled or accrued revenue' and 'deferred revenue' respectively. Contract assets represent the Group's right to consideration which is conditional on something other than the passage of time (for example, the Group's future performance). If the Group's right to an amount of consideration is unconditional (other than the passage of time), the contract asset is reclassified as a receivable.

Contract liabilities arise where payment received from the customer ahead of scheduled transfer of goods and services transferred to the customers.

Contract assets have increased as the Group has provided services ahead of the agreed payment schedules on some EPC projects.

Contract liabilities have increased as the Group has received advance payments for some of its EPC and EPCM projects.

Revenue recognised in relation to contract liabilities

	2020	2019
	\$'000	\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	45,289	50,404
Revenue recognised from performance obligation satisfied in previous periods	-	-

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 3. Revenue (continued)

Remaining performance obligations (Work in hand)

Contracts which have remaining performance obligations as at 31 December 2020 are set out below:

	2020	2019
	\$'000	\$'000
Project revenue	443,511	233,298
Operations revenue	640,415	365,342
	<u>1,083,926</u>	<u>598,640</u>

Contracts in different segments have different lengths. Revenue is typically earned over these varying time frames. The average duration of contracts is given below. Some contracts will vary from these typical lengths.

Projects revenue	1 - 4 years
Operations revenue	1 - 5 years

Note 4. Other income

	2020	2019
	\$'000	\$'000
Fair value adjustments to other financial assets at fair value through profit or loss (FVTPL)	634	1,031
Government grants	3,786	797
Other	660	1,021
	<u>5,080</u>	<u>2,849</u>

Note 5. Other gains/(losses) – net

	2020	2019
	\$'000	\$'000
Profit on sale of property, plant and equipment	1,053	378
Foreign exchange gain/(loss)	7,421	(2,498)
(Loss)/profit on foreign currency contracts	(1,227)	967
Profit on disposals - other financial assets	299	932
	<u>7,546</u>	<u>(221)</u>

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 6. Expenses

Included in cost of sales and general and administrative expenses are expenses of the following nature:

	2020	2019
	\$'000	\$'000
Employee benefit expense	(509,290)	(524,898)
Net impairment losses on trade receivables and contract assets (note 11)	(2,374)	(5,424)
Impairment - other financial assets	(366)	(866)
Impairment of goodwill (note 16)	(5,713)	-
Share-based payment expenses (note 36)	(2,011)	(301)
Depreciation of right-of-use assets (note 15)	(8,978)	(7,709)
Depreciation of property, plant and equipment (note 14)	(7,901)	(10,102)
Amortisation of intangible assets (note 16)	(8,990)	(8,545)

Note 7. Net finance income

	2020	2019
	\$'000	\$'000
<i>Finance income</i>		
Bank	3,030	2,413
Other	2,471	3,142
	<u>5,501</u>	<u>5,555</u>
<i>Finance costs</i>		
Bank	(1,067)	(1,739)
Other	(1,323)	(1,622)
	<u>(2,390)</u>	<u>(3,361)</u>
Net finance income	<u><u>3,111</u></u>	<u><u>2,194</u></u>

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 8. Income tax

a) Income tax expense

	2020	2019
	\$'000	\$'000
<i>Income tax expense/(benefit)</i>		
Current tax on profits for the year	19,029	25,571
Adjustments for current tax of prior periods	352	(1,657)
Foreign withholding tax written off	4,430	4,628
Deferred tax - Originating and reversing temporary differences	(2,927)	(4,671)
Adjustments for deferred tax of prior periods	(4,378)	1,318
	<u>16,506</u>	<u>25,189</u>
Aggregate income tax expense	<u>16,506</u>	<u>25,189</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	42,125	61,198
Tax at the statutory tax rate of 30%	12,638	18,359
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Difference in overseas tax rates	835	44
Assessable tax loss not recognised	1,199	(405)
Non-deductible expenses	3,272	2,993
Income not subjected to tax	(319)	722
Adjustments for current and deferred taxes of prior periods	(4,026)	(29)
Foreign withholding tax written off	4,430	4,628
Branch tax paid	(515)	(892)
Tax credits/incentives (including foreign income tax credits)	(1,308)	(969)
Others	300	738
	<u>16,506</u>	<u>25,189</u>
Income tax expense	<u>16,506</u>	<u>25,189</u>

b) Deferred tax balances

	2020	2019
	\$'000	\$'000
Deferred tax assets	57,031	62,912
Deferred tax liabilities	(3,615)	(12,200)
	<u>53,416</u>	<u>50,712</u>
Net deferred tax assets	<u>53,416</u>	<u>50,712</u>

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 8. Income tax (continued)

	Net deferred tax	Net deferred tax	(Charged)/ credited to profit or loss	(Charged)/ credited to profit or loss
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Type of temporary difference:				
Assessable tax losses	22,764	21,131	1,900	3,523
Employee benefits liabilities	13,314	12,727	2,072	5,018
Allowance for expected credit losses	5,838	3,899	(776)	2,023
Contracts in progress	437	6,043	(1,538)	848
Lease liabilities	651	2,612	572	90
Property, plant and equipment and right-of-use assets	(5,263)	(9,762)	3,160	3,150
Provisions	14,971	15,582	1,094	(11,060)
Other	704	(1,520)	821	(239)
	<u>53,416</u>	<u>50,712</u>	<u>7,305</u>	<u>3,353</u>
			2020	2019
			\$'000	\$'000

Movements:

Opening balance	50,712	53,636
Credited to profit or loss	7,305	3,353
Additions through business combinations	(54)	(5,047)
Foreign currency exchange adjustment	<u>(4,547)</u>	<u>(1,230)</u>
Closing balance	<u>53,416</u>	<u>50,712</u>

c) Tax losses

	2020	2019
	\$'000	\$'000
Unused tax losses for which no deferred tax asset has been recognised	16,355	9,634
Potential tax benefit at statutory tax rate	4,437	2,616

The unused tax losses were incurred by subsidiaries that are not likely to generate taxable income in the foreseeable future. They can be carried forward indefinitely.

Recognition and measurement

The income tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income, directly in equity or a business combination. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax assets and liabilities

Current tax comprises normal income tax on companies. Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 8. Income tax (continued)

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which, at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

Tax consolidation legislation

DRA Global Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The parent entity, DRA Global Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Significant judgments and estimates

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due, when the Group concludes it is not probable that the taxation authority will accept an uncertain tax treatment. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Deferred tax assets that relate to carried-forward tax losses of the Group are recognised on the basis that the Group will satisfy applicable tax legislation requirements at the time of proposed recoupment of those tax losses. An assessment will be performed at the time when those tax losses are utilised.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 9. Earnings per share (EPS)

	2020	2019
	\$'000	\$'000
Profit after income tax	25,619	36,009
Non-controlling interest	(2,474)	(160)
	<u>23,145</u>	<u>35,849</u>
	Cents	Cents
Basic earnings per share	27.49	43.78
Diluted earnings per share	27.39	43.78
	Number	Number
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	84,191,873	81,882,380
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	313,770	-
	<u>84,505,643</u>	<u>81,882,380</u>

Basic EPS

Basic EPS is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted EPS

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

The adjustment for the calculation of diluted EPS in the table above does not take into account any options issued under the Non-Executive Directors Share Option Plan and the FY2020 Employee Share Option plan. The potential number of ordinary shares that could be issued under these arrangements were excluded from the adjustment for the calculation of diluted EPS in the table above given the number of options over ordinary shares to be issued will only be determined at a future date based on future valuations which are unable to be reliably estimated at the date of this report. Refer to note 36.

Note 10. Cash and cash equivalents

	2020	2019
	\$'000	\$'000
<i>Current assets</i>		
Cash at bank and in hand	<u>204,809</u>	<u>126,735</u>

Restricted cash

The cash balance above includes issued cash-backed bank guarantees to the value of \$8,568,136 (2019: \$9,320,205). These cash balances are restricted and not available for general use by the Group.

Recognition and measurement

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 11. Trade and other receivables

	2020	2019
	\$'000	\$'000
<i>Current assets</i>		
Trade receivables	144,742	177,400
Less: Allowance for expected credit losses	(35,095)	(41,947)
Net trade receivables	<u>109,647</u>	<u>135,453</u>
Prepayments	5,824	3,656
Deposits	992	1,134
Withholding taxes	1,404	4,976
Other receivables	2,984	284
Retention debtors	<u>4,359</u>	<u>-</u>
	<u>125,210</u>	<u>145,503</u>
<i>Non-current assets</i>		
Retention debtors	<u>-</u>	<u>8,234</u>
	<u>125,210</u>	<u>153,737</u>

Recognition and measurement

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of the business. If collection of the amounts is expected in one year or less they are classified as current assets, otherwise they are classified as non-current.

Allowance for expected credit losses

Movements in the allowance for expected credit losses are as follows:

	2020	2019
	\$'000	\$'000
Opening balance	41,947	32,974
Increase through business combinations	50	344
Net increase in loss allowance recognised in profit or loss during the year	2,374	5,424
Receivables written off during the year as uncollectible	(2,182)	(1,229)
Foreign exchange differences	<u>(7,094)</u>	<u>4,434</u>
Closing balance	<u>35,095</u>	<u>41,947</u>

Note 12. Financial assets at fair value through profit or loss

	2020	2019
	\$'000	\$'000
<i>Current assets</i>		
Derivative financial instruments - foreign exchange currency (FEC) contracts	876	1,518
Listed shares	1,750	1,327
Shares in non-listed entities	<u>534</u>	<u>609</u>
	<u>3,160</u>	<u>3,454</u>

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 13. Other financial assets at amortised cost

	2020 \$'000	2019 \$'000
<i>Current assets</i>		
Loan receivable - at amortised cost (i)	772	1,517
Loans to shareholders (employees) - at amortised cost (ii)	2,081	5,083
Other loans	969	1,314
	<u>3,822</u>	<u>7,914</u>
<i>Non-current assets</i>		
Loan receivable - at amortised cost (iii)	<u>12,642</u>	<u>11,919</u>
	<u><u>16,464</u></u>	<u><u>19,833</u></u>

Loans receivable

(i) The loan accrues interest at a rate of 15% per annum secured by assets of the counterparty. The loan is currently in default and has been impaired to the value recoverable from the security.

(ii) These loans accrue interest at the prime lending rate in South Africa, currently 7% per annum and are repayable 60 days after the Group is listed on the ASX. The majority of the loans have been paid through share buy-back during the year. Refer to note 22.

(iii) The loan is subject to interest at a rate ranging from 15% - 27.78% secured by assets of the counterparty. The loan is repayable no later than 6 years after the anniversary of the loan, being June 2023.

Note 14. Property, plant and equipment

	Buildings \$'000	Leasehold improve- ments \$'000	Plant and equipment \$'000	Furniture and fixtures \$'000	Motor vehicles \$'000	Site establish- ment \$'000	Total \$'000
Balance at 31 December 2019							
Cost	3,918	2,704	22,250	7,249	16,393	31,947	84,461
Accumulated depreciation	(557)	(1,227)	(17,632)	(4,205)	(13,126)	(27,300)	(64,047)
	<u>3,361</u>	<u>1,477</u>	<u>4,618</u>	<u>3,044</u>	<u>3,267</u>	<u>4,647</u>	<u>20,414</u>
Balance at 31 December 2020							
Cost	2,963	2,762	23,266	6,915	13,446	33,601	82,953
Accumulated depreciation	(462)	(1,474)	(18,195)	(5,373)	(11,248)	(28,312)	(65,064)
	<u>2,501</u>	<u>1,288</u>	<u>5,071</u>	<u>1,542</u>	<u>2,198</u>	<u>5,289</u>	<u>17,889</u>

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 14. Property, plant and equipment (continued)

Reconciliations

Reconciliations of the net book values at the beginning and end of the current and previous financial year are set out below:

	Buildings	Leasehold	Plant and	Furniture	Motor	Site establish-	Total
	\$'000	improve-	equipment	and fixtures	vehicles	ment	\$'000
	\$'000	ments	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2019	3,467	668	3,868	4,252	6,687	7,180	26,122
Additions	93	1,004	3,405	436	2,705	924	8,567
Additions through business combinations	-	35	114	63	-	-	212
Disposals	(42)	-	(37)	(48)	(1,928)	(213)	(2,268)
Exchange differences	(13)	1	85	5	106	73	257
Transfer to Right-of-use assets	-	-	-	-	(1,432)	-	(1,432)
Transfer to intangible assets	-	-	(5)	-	-	(937)	(942)
Transfers in/(out)	-	-	(43)	-	-	43	-
Depreciation expense	(144)	(231)	(2,769)	(1,664)	(2,871)	(2,423)	(10,102)
Balance at 31 December 2019	3,361	1,477	4,618	3,044	3,267	4,647	20,414
Additions	18	192	3,160	89	608	4,304	8,371
Additions through business combinations	-	-	72	-	-	-	72
Disposals	(39)	(6)	(36)	(6)	(492)	(331)	(910)
Exchange differences	(787)	(53)	(492)	(55)	(568)	(202)	(2,157)
Transfers in/(out)	-	-	(52)	52	-	-	-
Depreciation expense	(52)	(322)	(2,199)	(1,582)	(617)	(3,129)	(7,901)
Balance at 31 December 2020	<u>2,501</u>	<u>1,288</u>	<u>5,071</u>	<u>1,542</u>	<u>2,198</u>	<u>5,289</u>	<u>17,889</u>

Recognition and measurement

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Group; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Major spare parts and stand-by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of the continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Refer to note 39 for impairment policy of non-financial assets.

Land is not depreciated. All other property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 14. Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Buildings	20 - 40 years
Furniture and fixtures	4 - 10 years
Motor vehicles	4 - 5 years
Plant and equipment	3 - 6 years
Leasehold improvements	4 - 10 years
Site establishment	Varies depending on life of mine or contract

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Significant judgment and estimates

The Group depreciates or amortises its assets over their estimated useful lives, as described in the accounting policies for property, plant and equipment and intangible assets. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Significant judgement is applied by management when determining the residual values for property, plant and equipment. When determining the residual value for property, plant and equipment, the following factors are taken into account:

- External residual value information (if applicable)
- Internal technical assessments for complex plant and machinery.

Impairment

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. No impairment loss was recorded in property, plant and equipment during the year (2019: nil).

Note 15. Leases

Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2020	2019
	\$'000	\$'000
Right-of-use assets		
Buildings	34,812	18,590
Vehicles	2,526	1,432
	<u>37,338</u>	<u>20,022</u>
	2020	2019
Lease liabilities		
Current	9,013	7,699
Non-current	31,659	15,409
	<u>40,672</u>	<u>23,108</u>

Additions to the right-of-use assets during the 2020 financial year were \$27,221,575 (2019: \$6,420,016).

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 15. Leases (continued)

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2020 \$'000	2019 \$'000
Depreciation charge of right-of-use assets		
Buildings	(8,219)	(7,709)
Vehicles	(759)	-
	<u>(8,978)</u>	<u>(7,709)</u>
	2020 \$'000	2019 \$'000
Interest expense (included in finance cost and cost of sales)	(2,173)	(1,884)
Expense relating to short-term, low-value and variable lease rentals (included in cost of sales, general and administrative expenses)	(1,610)	(2,035)

The total cash outflow for leases in 2020 was \$12,239,523 (2019: \$10,015,158). The total cash outflow includes principal elements of lease payments, interest expense and expense relating to short-term, low-value and variable lease rentals.

Recognition and measurement

The Group leases buildings and vehicles. Rental agreements are typically for fixed periods but may have extension options. The lease agreements do not impose any covenants.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies AASB 136 *Impairment of Assets* to determine whether a right-of-use asset is impaired. At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. No impairment loss of right-to-use assets was recorded during the year (2019: nil).

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 16. Intangibles and goodwill

	Goodwill \$'000	Brand names \$'000	Computer software \$'000	Customer relationship \$'000	Intellectual property \$'000	Total \$'000
Balance at 31 December 2019						
Cost	127,019	7,567	9,869	40,538	-	184,993
Accumulated amortisation and impairment	(16,738)	(2,032)	(6,091)	(21,310)	-	(46,171)
	<u>110,281</u>	<u>5,535</u>	<u>3,778</u>	<u>19,228</u>	<u>-</u>	<u>138,822</u>
Balance at 31 December 2020						
Cost	120,549	7,248	9,844	39,893	134	177,668
Accumulated amortisation and impairment	(22,452)	(3,824)	(7,389)	(26,082)	(30)	(59,777)
	<u>98,097</u>	<u>3,424</u>	<u>2,455</u>	<u>13,811</u>	<u>104</u>	<u>117,891</u>

Reconciliations

Reconciliations of the net book values at the beginning and end of the current and previous financial year are set out below:

	Goodwill \$'000	Brand names \$'000	Computer software \$'000	Customer relationship \$'000	Intellectual property \$'000	Total \$'000
Balance at 1 January 2019	47,677	1,935	1,917	11,845	-	63,374
Additions	-	-	3,074	-	-	3,074
Additions through business combinations	60,535	5,145	-	12,953	-	78,633
Disposals	-	-	(763)	-	-	(763)
Exchange differences	2,069	-	38	-	-	2,107
Transfers in/(out)	-	-	942	-	-	942
Amortisation expense	-	(1,545)	(1,430)	(5,570)	-	(8,545)
Balance at 31 December 2019	110,281	5,535	3,778	19,228	-	138,822
Additions	-	-	1,734	-	134	1,868
Additions through business combinations	1,081	-	-	-	-	1,081
Disposals	-	-	(441)	-	-	(441)
Exchange differences	(7,552)	(307)	(230)	(647)	-	(8,736)
Impairment loss	(5,713)	-	-	-	-	(5,713)
Amortisation expense	-	(1,804)	(2,386)	(4,770)	(30)	(8,990)
Balance at 31 December 2020	<u>98,097</u>	<u>3,424</u>	<u>2,455</u>	<u>13,811</u>	<u>104</u>	<u>117,891</u>

Recognition and measurement

Goodwill

Business combination principles apply to entities over which the Group obtains control. The Group obtains control of a subsidiary when it becomes exposed to, or gains rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liabilities or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of AASB 3 *Business Combinations* are recognised at their fair values at acquisition date, except for non-current assets (or disposal group) that are classified as held-for-sale in accordance with AASB 5 *Non-current Assets Held-For-Sale and Discontinued Operations*, which are recognised at fair value less costs to sell.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 16. Intangibles and goodwill (continued)

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the Group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for Group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interest arising from a business combination is measured either at their share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations.

In cases where the Group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at the acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments previously recognised to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid plus the fair value of any shareholding held prior to obtaining control; plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Goodwill is allocated to cash-generating units (CGU) for the purpose of impairment testing. The allocation is made to those CGU or groups of CGU that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the different regions.

Brand names and customer relationship

Separately acquired brand names and customer relationship are shown at historical cost. Brand names and customer relationship acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Identifiable intangible assets with a finite life are amortised on a straight-line basis over their expected useful life from when the asset is ready for use. The useful lives are as follows:

Brand names	1 - 5 years
Customer relationship	2 - 10 years

Computer software

Computer software is initially measured at cost and amortised on a straight-line basis over the estimated useful life of each asset. Impairment testing is conducted annually. Computer software is amortised on a straight-line basis over 1 to 3 years.

Significant judgements and estimates

Amortisation rates and residual values

Significant judgement is applied by management when determining the residual values for intangible assets. In the event of contractual obligations in terms of which a termination consideration is payable to the Group, management will apply a residual value to the intangible asset.

Key assumptions used for value-in-use calculations

Significant judgements and estimates on key assumptions used for value-in-use calculations are presented in impairment testing below.

Impairment testing

The Group monitors goodwill on a CGU level.

During the year, as part of the Group's listing readiness process, the CODM undertook an organisational restructure by eliminating the business units for management reporting and allocation of resources purposes. The businesses of the Group are simplified and reorganised into different regions which represent separate CGU to deliver optimal solutions and services that are tailored to meet the Group's clients' needs.

	2020 \$'000	2019 \$'000
Goodwill is attributed to:		
CGU		
AMER region	-	5,713
APAC region	41,962	41,962
EMEA region*	56,135	62,606
	<u>98,097</u>	<u>110,281</u>

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 16. Intangibles and goodwill (continued)

* In FY2019, goodwill in relation to the EMEA region is allocated to three separate former business units (BU) of the following amounts:

	2019
	\$000
Senet Business Unit	30,289
EMEA Business Unit	13,894
Minopex Business Unit	18,423
	<u>62,606</u>

The recoverable amount of all CGUs is based on value in use calculations, using cash flow projections covering up to five-year period based on forecast operating results. The recoverable amount of each cash-generating unit exceeds its carrying amount.

The Group determines the recoverable amount, being the higher of the fair value less cost to sell and the value in use, of individual cash-generating units by discounting the expected future cash flows of each of the identified cash-generating units. The recoverable amount is then compared to the carrying value of the respective cash-generating unit and an impairment loss is raised if required.

Based on the impairment testing performed by management in the current year, an impairment charge of \$5.7M arose in the Americas Region CGU. The Americas Region was profitable in the past and is expected to be profitable in the next 12 months. However, the operation in the Energy Sector is expected to reduce significantly from FY2022 onwards due to expiration of tax incentives in the United States. At the date of this report, the tax incentive has not been renewed and therefore has not been taken into account in the value-in-use calculations to determine the recoverable amount of the CGU beyond FY2022. There was no impairment loss recorded in FY2019.

The key assumptions used in the value in use calculations and the approach to determining the recoverable amount of all CGUs in the current and previous period are:

Assumptions	Approach used to determining values
Revenue growth rate:	Relevant to the market conditions and business plan
Budgeted gross profit rate:	Based on past performance and management's expectations for the future
Long term growth rate:	Typically consistent with the long term growth rate of the economic environment or country within which the CGU operates
Discount rate (Pre-tax):	Risk in the industry and country in which each CGU operates

2020	AMER region	APAC region	EMEA region
Revenue growth rate (% annual growth rate) from FY2023-FY2025 (i)	(ii)	4%	5%-8% growth
Budgeted gross margin (%)	25%	14%	19% -21%
Long-term growth rate (%)	N.A	4%	4%
Pre-tax discount rate (%)	15%	18%	22%

(i) Revenue forecast for FY2021 to FY2022 is based on actual forecast derived from work in hand and tender opportunities.

(ii) Cash flow projection of Americas Region covering a two year period is used for impairment testing.

2019	AMER BU	APAC BU	Senet BU	EMEA BU	Minopex BU
Revenue growth rate (% annual growth rate)	3% - 5%	5%	5% - 63%	5%	5% - 7%
Budgeted gross margin (%)	42%	17%	7% - 8%	25%	14% - 15%
Long-term growth rate (%)	N.A	3%	4%	4%	4%
Pre-tax discount rate (%)	22%	16%	21.1%	26%	19%

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 17. Trade and other payables

	2020	2019
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	54,960	40,756
Accrued expenses and contract costs	23,280	13,149
Other payroll accruals	16,849	12,824
VAT/GST payable	3,407	548
Other payables	10,019	10,117
	<u>108,515</u>	<u>77,394</u>

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Note 18. Interest-bearing borrowings

	2020	2019
	\$'000	\$'000
<i>Current liabilities</i>		
Loan from non-controlling interests (i)	689	321
Other borrowings	243	-
	<u>932</u>	<u>321</u>
<i>Non-current liabilities</i>		
Other borrowings	250	-
	<u>1,182</u>	<u>321</u>

Refer to note 25 for further information on financial instruments.

	2020	2019
	\$'000	\$'000
Opening balance 1 January	321	-
Additional loans raised	2,579	15,022
Business combinations	478	-
Repayment of borrowings	(2,185)	(14,725)
Interest capitalised	29	24
Exchange differences	(40)	-
	<u>1,182</u>	<u>321</u>

(i) The loan carries interests at the prime lending rate in South Africa of 7% per annum and is repayable on demand.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 18. Interest-bearing borrowings (continued)

Financing arrangements

Significant borrowing facilities at the reporting date:

	2020 \$'000	2019 \$'000
Total facilities		
Derivative Products Trading Facility	23,908	16,325
Vehicle and Asset Finance	6,669	7,318
Revolving Credit Facility	39,943	45,495
Global Banking Facility	13,314	-
	<u>83,834</u>	<u>69,138</u>
Used at the reporting date		
Derivative Products Trading Facility	1,470	2,763
Vehicle and Asset Finance	2,908	1,650
Revolving Credit Facility	-	-
Global Banking Facility	-	-
	<u>4,378</u>	<u>4,413</u>
Unused at the reporting date		
Derivative Products Trading Facility	22,438	13,562
Vehicle and Asset Finance	3,761	5,668
Revolving Credit Facility	39,943	45,495
Global Banking Facility	13,314	-
	<u>79,456</u>	<u>64,725</u>

Recognition and measurement

Borrowings are initially measured at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption value is recognised over the term of the borrowings in terms of the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred unless required to be capitalised in terms of AASB 123 *Borrowing Costs*.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Note 19. Employee benefits

	2020 \$'000	2019 \$'000
<i>Current liabilities</i>		
Employee benefits liabilities	<u>35,887</u>	<u>34,741</u>
<i>Non-current liabilities</i>		
Employee benefits liabilities	<u>1,269</u>	<u>1,495</u>
	<u><u>37,156</u></u>	<u><u>36,236</u></u>

Recognition and measurement

Short-term employee benefits

The employee benefits liabilities for wages and salaries including non-monetary benefits, incentives, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 19. Employee benefits (continued)

Other long-term employee benefits

The employee benefits liabilities for long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 20. Provisions

	2020	2019
	\$'000	\$'000
<i>Current liabilities</i>		
Loss making contracts	46,870	51,181
Claims	160	193
Warranty provision	1,964	4,307
Others	606	714
	<u>49,600</u>	<u>56,395</u>

Movements in provisions

Movements in each class of provision during the current financial year are set out below:

	Loss making contracts	Claims	Warranty provision	Others
	\$'000	\$'000	\$'000	\$'000
2020				
Carrying amount at the start of the year	51,181	193	4,307	714
Additional provisions recognised	2,657	-	491	454
Amounts released	-	-	(2,459)	(173)
Amounts utilised	(3,186)	(18)	(260)	(375)
Exchange differences	(3,782)	(15)	(115)	(14)
Carrying amount at the end of the year	<u>46,870</u>	<u>160</u>	<u>1,964</u>	<u>606</u>

Claims

The provision for claims relates to a claim against a subsidiary in the United States.

Loss making contracts

The provision for loss making contracts relates to expected unavoidable losses on projects. The calculation of the provision is based on the additional losses expected to be incurred to complete the contracts per the agreed scope or the compensation or penalties arising from failure to fulfil the contracts whichever is lower.

Some of these contracts are subject to disputes and claims by the customers and counter-claims by the Group. Should the Group be successful in recovering amounts, this may result in a reduction in the loss previously recorded. The status of these contracts and the adequacy of provisions are assessed at each reporting date. Refer to note 26 for information on contingencies.

Warranty provision

The provision for warranty relates to the estimated liabilities on certain contracts still under warranty or defect liability period at the reporting date.

Recognition and measurement

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 20. Provisions (continued)

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, a provision is recognised when expected benefits to be derived from a contract of meeting its obligation under the contract are less than the unavoidable costs.

Depending on the circumstances of the onerous contract, the provision is measured at either the present value of the expected cost of terminating the contract (if permitted) or the expected net cost of completing the contract, whichever is less.

Contingent assets and contingent liabilities are not recognised unless the contingent liability is acquired as part of a business combination.

After their initial recognition, contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the greater of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Significant judgements and estimates

In arriving to the estimate of provision for loss making contracts, management applies judgements to estimate the costs to complete the onerous contracts which include estimation of labour, technical costs, penalties from impact of delays and productivity.

Note 21. Other financial liabilities

	2020 \$'000	2019 \$'000
<i>Current liabilities</i>		
Put option liability (i)	18,890	-
<i>Non-current liabilities</i>		
Contingent consideration (ii)	1,004	-
	<u>19,894</u>	<u>-</u>

(i) Put option liability

In 2017, the Company entered into a Share Purchase Agreement with Minnovo Pty Ltd (Minnovo) to acquire 100% of the issued share capital in Minnovo. The acquisition of Minnovo was completed in July 2018 and the former shareholders of Minnovo accepted cash and shares of DRA Global Limited as full consideration. The share-based consideration was accepted only on the basis that the shares of DRA Global Limited would be liquid within 18 months. The original period of 18 months has since lapsed. Whilst the Company has no obligation under the share purchase agreement to buy-back the shares, the Company has executed a formal put option agreement with the former shareholders of Minnovo. The put option agreement grants these former shareholders the right to sell their shares obtained from the acquisition back to the Company at the same price that the shares were issued in terms of the Share Purchase Agreement only in the event that the Company is not being listed on the ASX by 30 June 2021. The put option agreement was approved by the shareholders at the Annual General Meeting on 29 July 2020.

As the Company cannot be considered to control the outcome of the listing process on the ASX, the Company does not have the unconditional right to avoid delivering cash. Accordingly, under AASB 132 *Financial Instruments: Presentation*, the Company has recognised a put option liability. The put option liability of \$18.9M is calculated based on 2,539,015 number of shares at \$7.44 per share.

(ii) Refer to note 31 'Business combinations'.

Recognition and measurement

Financial liabilities are measured at amortised costs or fair value at through profit or loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

A financial instrument that creates an obligation or potential obligation for an entity to purchase its own equity instruments for cash or another financial assets also gives rise to a financial liability. The amount of the financial liability is measured at the present value of the redemption amount with a corresponding adjustment to equity.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 21. Other financial liabilities (continued)

Significant judgements and estimates

The Group entered into a business acquisition agreement which required additional payments based on meeting certain earnings targets and net working capital position. The Group estimated these amounts payable based on its forecasts. It is reasonably possible that these forecasts may change which may then impact management's estimations and may then require a material adjustment in the contingent consideration.

Note 22. Issued capital

	Number	\$'000
Balance at 1 January 2019		
Ordinary no par value shares	75,852,983	99,548
Movements in fully paid share capital		
Ordinary shares (acquisition of New Senet Pty Ltd)	8,888,889	64,548
Issue of ordinary shares for services provided	33,784	250
Buy-back of shares	(185,796)	(1,558)
	<u>8,736,877</u>	<u>63,240</u>
Balance at 1 January 2020		
Ordinary shares	<u>84,589,860</u>	<u>162,788</u>
Movements in fully paid share capital		
Issue of ordinary shares	646,464	3,956
Buy-back of shares	(1,135,129)	(4,197)
	<u>(488,665)</u>	<u>(241)</u>
Balance at 31 December 2020		
Ordinary shares	<u>84,101,195</u>	<u>162,547</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

At the Annual General Meeting on 31 May 2019, the shareholders approved the selective buy-back of shares for the certain share schemes and for the Legacy LTIP, subject to approval from the South African Reserve Bank where applicable. During the year, 562,573 shares in relation to Legacy LTIP were bought back at nominal value in accordance with the terms and conditions of Legacy LTIP Share Buy Back Agreement. Another 572,556 with a total value of \$4,196,818 were bought back at an average rate of \$7.33 ranging from \$7.04 to \$7.42 (2019: 185,796 shares with a total value of \$1,157,709 at an average rate of \$8.25 ranging from \$7.99 to \$8.40).

Loan shares

Included in the ordinary shares are shares purchased by employees including certain key management personnel between 2014 and 2017 through loans provided by the Group. The loans were denominated in South African Rand and accrue interest at the South African Official Prime rate less 2.5%, currently 4.5% (2019: 7.25%) and do not have fixed terms of repayment. Dividends that accrue to the underlying shares are applied to service the loans. These loans provided to employees are deemed as limited recourse loans and in substance are accounted like a share-based payment. The amount of unrecognised loan receivables and accrued interest was \$38,182,855 at 31 December 2020 (2019: \$41,287,704).

Accordingly, until the full repayment of the shares issued to employees has been made, the loan receivable from the employees and the corresponding share capital amount are not recognised in the statement of financial position. Refer to note 36 for accounting policy on share-based payments.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital risk management policy remains unchanged from the 31 December 2019 Annual Report.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 22. Issued capital (continued)

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity. Total borrowings is calculated as total borrowings including 'current and non-current borrowings' and 'current and non-current lease liabilities' as shown in the statement of financial position. Total equity is the total equity as shown in the statement of financial position.

The gearing ratio at the reporting date was as follows:

	2020	2019
	\$'000	\$'000
Total borrowings	41,854	23,429
Total equity	308,632	332,073
Gearing ratio	13%	7%

The gearing ratio increased from 7% to 13% as a result of addition to new right-to-use assets which increased the lease liabilities during the year. Excluding the lease liabilities, the Group has very minimal external borrowings as at 31 December 2020. Refer to note 18.

Recognition and measurement

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Ordinary shares purchased by the employees through a limited recourse loans from the Group is accounted as a share-based payment and no loan receivables, related interest expenses and share capital are recognised. Any repayments made are treated as the exercise price for the shares and accounted as equity when received.

Note 23. Reserves

	2020	2019
	\$'000	\$'000
Foreign currency reserve	17,638	50,082
Share-based payment reserve - Broad Based Black Economic Empowerment Structure	3,214	3,214
Share-based payment reserve	4,038	2,026
Put option reserve	(18,890)	-
	<u>6,000</u>	<u>55,322</u>

Foreign currency reserve

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Broad Based Black Economic Empowerment Structure

Share-based payment reserve to account for the liability in terms of Broad Based Black Economic Empowerment legislation within South Africa.

Share-based payment reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Put option reserve

The reserve is used to recognise the value of the put option arising from a transaction with the Company's shareholders. Refer to note 21.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 23. Reserves (continued)

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Foreign currency reserve \$'000	Broad Based Black Economic Empowerment Structure \$'000	Share-based payment reserve \$'000	Put option reserve \$'000	Total \$'000
Balance at 1 January 2019	46,698	3,214	1,725	-	51,637
Foreign currency translation	3,218	-	-	-	3,218
Reallocation from Retained Earnings to Non-distributable reserve	1	-	-	-	1
Arising through joint operations	165	-	-	-	165
Share-based payment expenses	-	-	301	-	301
Balance at 31 December 2019	50,082	3,214	2,026	-	55,322
Foreign currency translation	(32,443)	-	-	-	(32,443)
Share-based payment expenses	-	-	2,011	-	2,011
Put option	-	-	-	(18,890)	(18,890)
Balance at 31 December 2020	<u>17,639</u>	<u>3,214</u>	<u>4,037</u>	<u>(18,890)</u>	<u>6,000</u>

Note 24. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Franking credits

	2020 \$'000	2019 \$'000
Franking credits of the Company available for subsequent financial years based on a tax rate of 30%	<u>3,821</u>	<u>3,821</u>

Recognition and measurement

Distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the distributions are appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

Note 25. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include:

- sensitivity analysis for interest rate, foreign exchange and other price risks;
- ageing analysis for credit risk;
- rolling cash flow forecasts for liquidity risk; and
- beta analysis in respect of investment portfolios for market risk.

The Group's financial risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board. The central treasury department identifies, evaluates, and hedges financial risks in close co-operation with the Group's operating units. The Board is responsible for the governance framework and oversight of the risk management within the Group. The Audit and risk Committee is responsible for reviewing the governance framework and risk management within the Group. The day to day responsibility for risk management is carried out by the senior management in the Group.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 25. Financial instruments (continued)

Market risk

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar (USD) and South African Rand (ZAR).

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations by an operating entity that are denominated in currencies other than its own functional currency (FC). Where possible, The Group does not take on foreign exchange risk. The Group manages its exposure to foreign currency risk by minimising excess foreign currency balances in overseas jurisdictions not required for working capital, minimising contracting outside of its functional currencies, entering into hedging arrangement via exchange forward contracts if necessary and passing on foreign exchange risks to customers where possible.

The Group's significant exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars (AUD), was as follows:

	USD held in AUD FC \$'000	USD held in GNF FC \$'000	USD held in ZAR FC \$'000	ZAR held in AUD FC \$'000	ZAR held in MZN FC \$'000
2020					
Net financial assets/(liabilities)	(35,899)	10,539	23,951	2,436	(3,391)
FEC contracts (notional amounts)	-	-	13,637	-	-
	USD held in AUD FC \$'000	USD held in GNF FC \$'000	USD held in ZAR FC \$'000	ZAR held in AUD FC \$'000	ZAR held in MZN FC \$'000
2019					
Net financial assets/(liabilities)	(34,297)	(4,121)	43,793	3,375	(1,792)
FEC contracts (notional amounts)	-	-	20,705	-	-

As shown in the table above, the Group is primarily exposed to financial assets and liabilities denominated in USD and ZAR held by entities in the Group that have different functional currencies to these financial assets and liabilities. The significant exposure arises from changes in USD/AUD, USD/GNF (Guinea Franc), USD/ZAR, ZAR/AUD and ZAR/MZN exchange rates. The sensitivity of profit or loss to changes in these exchange rates is shown below:

	Profit/(loss) before tax	
	2020 \$'000	2019 \$'000
USD/AUD exchange rate - increase 10%	(3,590)	(3,430)
USD/GNF exchange rate - increase 10%	1,054	412
USD/ZAR exchange rate - increase 10%	1,031	2,308
ZAR/AUD exchange rate - increase 10%	244	338
ZAR/MZN exchange rate - increase 10%	(339)	(179)

A 10 per cent weakening of the ZAR/AUD, USD/ZAR, USD/GNF and USD/AUD would have the equal but opposite effect on the above currencies to the amounts shown above, on the basis of all other variables held constant.

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Cash, cash equivalents and borrowings issued at variable rates expose the Group to cash flow interest rate risk. As at the end of the reporting period, the Group had no material variable interest borrowings.

Credit risk

Credit risk is the risk of financial loss due to counterparties to financial instruments not meeting their contractual obligation.

Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. During the year, the Group has also increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay, due to COVID-19. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to trade customers, including outstanding receivables and committed transactions. The Group only deposits cash with major banks with a high quality credit rating.

Significant judgements and estimates

The Group applies the AASB 9 *Financial Instruments* (AASB 9) simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 25. Financial instruments (continued)

In determining the recoverability of a trade receivable and contract assets, the local management considers any change in the credit quality of these financial assets from the date credit was granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and geographically diverse. Accordingly, the Group has assessed for any expected credit losses under AASB 9, and believe that there is no further credit provision required in excess of the allowed provision for impairment of these financial assets. Management does not expect any material loss from non-performance by counterparties on credit granted during the financial year under review that has not been provided for.

The expected loss rates are based on the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors including economic conditions due to COVID-19 affecting the ability of the customers to settle the receivables.

All other financial assets at amortised costs which are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 month expected credit losses. These instruments are considered to be low risk when they have a low risk of default or the counterparty has a strong capacity to meet its obligations within the short term.

For those other financial assets in default and non-performing, a lifetime expected losses was recognised during the period if these assets have not been previously impaired.

Financial assets exposed to credit risk at year end were as follows:

	2020	2019
	\$'000	\$'000
Contract assets	38,587	21,982
Trade and other receivables (excluding prepayments)	119,386	150,081
Cash and cash equivalents	204,809	126,735
Other financial assets - loans receivable	16,464	19,833
Other financial assets - FEC contracts	876	1,518
	<u>380,122</u>	<u>320,149</u>

Expected credit loss rates used for trade and other receivables and contract assets

	Average rate
Current	1.7%
More than 30 days past due	1.0%
More than 60 days past due	7.6%
More than 90 days past due	66.7%

Allowance for expected credit losses

Refer to note 11 for reconciliation of allowance for expected credit losses.

Trade and other receivables past due but which are not considered to be impaired at 31 December:

	2020	2019
	\$'000	\$'000
60 - 90 days past due	3,564	9,083
90 days and over past due	16,214	25,378
	<u>19,778</u>	<u>34,461</u>

Liquidity risk

Liquidity risk is the risk that an entity in the Group will not be able to meet its obligations as they become due.

Group treasury manages liquidity risk of the Group. The Group's liquidity risk is mitigated by the availability of funds to cover future commitments. Liquidity is reviewed continually by the Group's treasury department through daily cash monitoring, review of available credit facilities and rolling cash flow forecasts.

The Group's liquidity risk is mitigated by the availability of funds to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Surplus cash held by the operating entities over and above balances required for working capital management, is invested in interest bearing current accounts, term deposits and money market deposits. The Group has sufficient cash funds to meet its identified ongoing operating expenses and commitments.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 25. Financial instruments (continued)

Remaining contractual maturities

The table below analyses the Group's financial liabilities and net-settled non-derivative financial liabilities into relevant maturity groupings, based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash outflows.

	Carrying amount \$'000	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
2020					
Non-derivatives					
Trade and other payables	108,515	108,515	-	-	108,515
Interest-bearing borrowings	1,182	965	250	-	1,215
Lease liabilities	40,672	11,565	20,321	18,894	50,780
Other financial liabilities	19,894	18,890	1,004	-	19,894
	170,263	139,935	21,575	18,894	180,404
2019					
Non-derivatives					
Trade and other payables	77,394	77,394	-	-	77,394
Interest-bearing borrowings	321	321	-	-	321
Lease liabilities	23,108	9,308	16,092	971	26,371
	100,823	87,023	16,092	971	104,086

Note 26. Contingencies

The Group has guarantee facilities of \$206.5M (2019: \$181.2M) available for utilisation.

The Group has issued financial guarantees as security to various landlords and clients for leases and construction projects, to the value of \$82.8M (2019: \$59.3M). Provisions provided for the bank guarantees in FY2020 was \$15M (2019: nil) included in provision for loss making contracts.

On 1 April 2019, the Group acquired a 72.7% interest in New Senet Pty Ltd ("Senet"). The business combination is accounted for as an acquisition of 100% interest in New Senet Pty Ltd due to the existence of a call and put option agreement which was entered at the same time to acquire the remaining interest in New Senet Pty Ltd. In the event that Senet meets certain earnings targets in the next three years, additional consideration of up to \$52.8M may be payable in cash. The Group has estimated this liability as nil based on the earnings forecasts (2019: nil).

The Group occasionally receives legal claims arising from its operations in the course of its normal business. Group entities may also have potential financial liabilities that could arise from historical commercial contracts. At the date of this report the Group has a number of claims in progress, however it is not possible to estimate the financial effects of these claims should they be successful and, at the date of this report, the directors have assessed the possibility of any net outflow of resources embodying economic benefits, which have not already been provided in this report, in relation to these matters to be unlikely. The Directors are of the opinion that the disclosure of any further information on these matters would be prejudicial to the interests of the Group.

Significant judgements and estimates

The Group assessed and applied judgements to determine whether it has a possible or a present obligation and the likelihood of an outflow of resources being required. A provision is recognised when there is a present obligation that probably requires an outflow of resources (refer to note 20). Disclosures are made for any possible obligations or present obligations that may, but probably will not, require an outflow of resources unless the disclosures will prejudice the position of the Group in a dispute with the other party.

Note 27. Commitments

The Group is a lessee of various office properties as well as motor vehicles under non-cancellable lease agreements. Leases are accounted for as lease liabilities under AASB 16 *Leases*. Refer to note 15.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 28. Events after the reporting period

Black Economic Empowerment Restructure

DRA South Africa Proprietary Limited ("DRA South Africa") and its subsidiaries which are controlled by the Group are implementing a restructure of DRA's South African operations to facilitate the conclusion of a broad-based black economic empowerment ("B-BBEE") ownership transaction in terms of which private equity funds managed by Ascension Capital Partners Proprietary Limited ("Ascension Funds") will acquire the following interest in the relevant South African group entities:

- 35% ordinary share interest in DRA South African Group Holdings Proprietary Limited ("DRA SA Group")
- 25% ordinary share interest in Minerals Operations Executive Proprietary Limited ("Minopex SA") and DRA Plant Operations Holdings Proprietary Limited ("DRA Plant Operations")
- 25% ordinary share interest in DRA Projects Group Holdings Proprietary Limited ("DRA Projects Group")

Main Street 798 Proprietary Limited (RF) ("Main Street"), DRA SA Group's previous B-BBEE shareholder, will remain indirectly invested in DRA South Africa as an investor in Ascension.

In terms of the aforementioned restructure, DRA South Africa Group Holdings will replace DRA South Africa as the holding company of the Group's South African interests and DRA Projects Group will become the holding vehicle for the Group's South African projects business. The result of the restructure of the B-BBEE shareholding and introduction of Ascension as a B-BBEE partner in South Africa is that DRA's major operating businesses in South Africa will be certified 51% B-BBEE-owned and address the main procurement criteria set out in the South African Mining Charter (Mining Charter 3). By addressing these criteria DRA will be able to continue to effectively compete within the South African market, ensuring a platform for sustained growth.

At the date of this report the restructure had not been completed.

Stockdale Street's Selective Share Buy Back

On 28 January 2021, the Company entered into a Share Buy Back Agreement with BPESAM IV M Ltd (IVM) and BPESAM IV N Ltd (IVN) (together known as Limited Partners of Stockdale Street Investment Partnership IV) to purchase 30,000,000 of the shares in the Company. The buy-back consideration includes an initial cash consideration of ZAR 550,000,000 (\$47,720,000) payable at completion date, a further cash consideration of \$30,280,000 payable prior to 31 December 2021, totalling approximately \$78,000,000 and 25,000,000 Upside Participants Rights (UPR). The UPRs have an exercise price of \$3.10 per share with a price ceiling of \$6.5 per share. Consequently, the maximum gain of the UPRs is limited to \$3.40 per UPR. In total, the transaction has a maximum value of approximately \$163M which equates to a maximum value of \$5.43 per share receivable by BPESAM IV M Ltd and BPESAM IV N Ltd.

A report was obtained from an independent expert that the selective buy-back was fair and reasonable to the shareholders of the Company (excluding IVM, IVN and their Associates) and approval of the transaction was obtained at a meeting of the shareholders on 1 April 2021.

Impact of COVID-19

Refer to Operating and Financial Review for the impact of COVID-19 on the Group's result in the current year.

The Group will continue to assess the impact of COVID-19 on existing Projects and Operations businesses. The duration and spread of the pandemic and regulations imposed by Governments continue to be closely monitored to determine any future impact on the Group. The Group has a stable cash balance and did not require the use of additional credit facilities.

Other

Kenneth Thomas, Rafael Eliasov and Jean Nel resigned from the position of non-executive directors on 11 January 2021, 28 January 2021 and 29 January 2021 respectively. Ben Secrett was appointed as Company Secretary on 1 January 2021.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 29. Related party transactions

Parent entity

DRA Global Limited is the parent entity. Parent entity information is set out in note 30.

Subsidiaries

Interests in material subsidiaries are set out in note 32.

Associates

Interests in associates are set out in note 33.

Joint operations

Interests in joint operations are set out in note 34.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 29. Related party transactions (continued)

Key management personnel compensation

	2020	2019
	\$	\$
Short-term employee benefits	4,057,706	3,928,564
Post-employment benefits	100,524	93,489
Long-term benefits	-	-
Termination benefits	-	884,863
Share-based payments	531,742	77,415
	<u>4,689,972</u>	<u>4,984,331</u>

Transactions with related parties

During the year, a total of 82,786 shares at an average price of \$7.33 each have been bought back from key management personnel.

Mr Greg McRostie, an Executive Director of the Company, is one of the former Minnovo Shareholders. During the year, the Company executed a formal put option agreement with the former Minnovo Shareholders. Refer to note 21 for more information.

Loans to related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	2020	2019
	\$	\$
Loans to key management personnel	2,213,155	3,079,027

The loans were advanced to key management personnel (KMP) to enable the purchase of ordinary shares in the Group between 2014 and 2017. No further such loans were advanced since then. Some of these transactions took place indirectly with KMP nominated family trusts, family corporate entities or authorised entities as approved by the shareholders. The loans are South African Rand denominated and accrue interest at the South African official prime interest rate less 2.5%, currently 4.5% (2019: 7.25%) and do not have fixed terms of repayment. Dividends that accrue to the underlying shares are applied to service the loans. Refer to note 22.

The above does not include a loan owed by VMF Investments Ltd of \$23,839,389, in relation to purchase of the shares in the Company where Andrew Naude is the one of the named beneficiaries. This entity is owned and controlled by the VMF Investment Trust. Andrew Naude is not a trustee of the VMF Investment Trust nor does he exercise control over VMF Investments Ltd or the VMF Investment Trust.

Note 30. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2020	2019
	\$'000	\$'000
Profit/(loss) after income tax	<u>(3,320)</u>	<u>52,831</u>
Total comprehensive (loss)/income	<u>(3,320)</u>	<u>52,831</u>

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 30. Parent entity information (continued)

Statement of financial position

	Parent	
	2020	2019
	\$'000	\$'000
Total current assets	25,135	9,279
Total assets	691,137	668,447
Total current liabilities	38,296	(4,269)
Total liabilities	38,606	(5,627)
Equity		
Issued capital	617,079	617,147
Non-distributable reserve	11	(723)
Put option reserve	(18,890)	-
Retained profits	54,331	57,650
Total equity	<u>652,531</u>	<u>674,074</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 December 2020 (2019: nil).

Contingent liabilities

DRA Global Limited has provided certain parent company undertakings and indemnities in respect of contract performance by members of the Group. DRA Global Limited is not party to a Deed of Cross Guarantee but has provided letters of support to certain entities of the Group.

Note 31. Business combinations

UMM Contracting

On 1 September 2020, the Group acquired a 60% interest in UMM Contracting Pty Ltd ("UMM") for a net consideration of \$1.5M, comprising cash consideration (\$0.4M) and contingent consideration (\$1.1M) payable in FY2022. The Group has the option to acquire a further 20% of UMM's shares from the sellers expiring a year after the issuing of UMM's 31 December 2021 financial statements.

Prior year

The Group acquired New Senet Pty Ltd in FY2019 which was provisionally accounted under AASB 3 *Business Combinations*. No adjustments were required for the purchase price allocation accounting made in FY2019.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 32. Interests in subsidiaries

Material subsidiaries of the Group, which are those with the most significant contribution to the Group's net profit/(loss) or net assets, are as follows:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020 %	2019 %
DRA Pacific Pty Ltd	Australia	100.00%	100.00%
G&S Engineering Services Pty Ltd	Australia	100.00%	100.00%
G&S Projects Australia Pty Ltd	Australia	100.00%	100.00%
DRA Americas Inc. (Canada)	Canada	100.00%	100.00%
Senet Guinea SARLU	Guinea	100.00%	100.00%
Minopex Lesotho Pty Ltd	Lesotho	100.00%	100.00%
Ensermo Ltd	Mozambique	100.00%	100.00%
DRA Saudi Arabia LLC	Saudi Arabia	100.00%	100.00%
DRA Projects Pty Ltd	South-Africa	100.00%	100.00%
DRA Projects SA Pty Ltd	South-Africa	100.00%	100.00%
New SENET Pty Ltd	South-Africa	100.00%	100.00%
Minerals Operations Executive Pty Ltd	South-Africa	100.00%	100.00%
DRA Americas Inc. (USA)	United States	100.00%	100.00%

Recognition and measurement

Subsidiaries are all entities (including structured or special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. In determining whether control exists the Group considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

The results of subsidiaries (including special purpose entities) are included in the consolidated Group annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the Group annual financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

Subsidiaries with different year-ends have been consolidated on the same accounting period.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity. The proportion of the loss of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Changes in ownership interest in subsidiaries without a change in control

Transactions which result in changes in ownership levels, where the Group has control of the subsidiary both before and after the transaction are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of the consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value, with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

Disposal of subsidiaries

When the Group ceases to have control of any retained interest in the entity, it is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 33. Interests in associates

Individually immaterial associates

Interests in associates are accounted for using the equity method of accounting. No individual associates is material to the Group.

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020 %	2019 %
LSL Consulting (Pty) Ltd	South-Africa	25.00%	25.00%
Tekpro Projects (Pty) Ltd	South-Africa	25.00%	25.00%
FineTech Minerals (Pty) Ltd	South-Africa	25.00%	-
		2020	2019
		\$'000	\$'000
Aggregate carrying amount of individually immaterial associates		2,154	2,318
Aggregate amounts of the Group's share of:			
Profit from continuing operations		367	580
Dividends paid		(372)	(730)
Cost of initial investment		124	-
Other comprehensive income		(283)	66
		(164)	(84)

There were no impairments of equity accounted associates recognised during the reporting period (2019: nil).

Recognition and measurement

An investment in associate is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with AASB 5 *Non-current Assets Held-For-Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post acquisition changes in the Group's share of net assets of the associate, less any impairment losses.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in profit or loss.

Profits or losses on transactions between the Group and an associate are eliminated to the extent of the Group's interest therein.

When the Group reduces its level of significant influence or loses significant influence, the Group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

Note 34. Interests in joint operations

The Group has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications. No individual joint operation is material to the Group.

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020 %	2019 %
Nokeng Joint Venture (Unincorporated)	South-Africa	50.00%	50.00%

Recognition and measurement

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

Investments in joint operations are proportionately consolidated from the date on which the Group has the power to exercise joint control, up to the date on which the power to exercise joint control ceases. This excludes cases where the investment is classified as held-for-sale in accordance with AASB 5 *Non-current Assets Held-For-Sale and Discontinued Operations*.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 34. Interests in joint operations (continued)

The Group's share of assets, liabilities, income, expenses and cash flows of jointly controlled entities are combined on a line by line basis with similar items in the consolidated Group annual financial statements.

When the Group loses joint control, the Group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

Significant judgements and estimates

The two parties have direct rights to the assets of the joint arrangement and are jointly and severally liable for the liabilities incurred by the joint arrangement. This entity is therefore classified as a joint operation and the Group recognises its direct right to the jointly held assets, liabilities, revenues and expenses.

Note 35. Cash flow information

Reconciliation of profit after income tax to net cash from operating activities

	2020	2019
	\$'000	\$'000
Profit after income tax expense for the year	25,619	36,009
Adjustments for:		
Impairment of goodwill	5,714	-
Net gain on disposal of property, plant and equipment	(1,053)	(378)
Net fair value gain on other financial assets	(566)	(1,096)
Depreciation	16,879	17,811
Amortisation	8,990	8,545
Finance income	(2,167)	(2,806)
Foreign exchange differences (i)	(7,248)	1,003
Services rendered paid in shares	-	250
Non-cash employee benefits expense – share-based payments	2,011	301
Change in operating assets and liabilities:		
Decrease in trade and other receivables	26,068	38,205
Increase in contract assets	(16,605)	(4,545)
Decrease/(increase) in inventories	1,019	(947)
Increase/(decrease) in trade and other payables	32,278	(33,023)
Increase/(decrease) in contract liabilities	8,429	(5,147)
Decrease in other provisions	(7,604)	(25,013)
Increase/(decrease) in tax	10,110	(4,123)
Net cash from operating activities	<u>101,874</u>	<u>25,046</u>

(i) The adjustment of foreign exchange differences relate to non-cash related foreign exchange gain/loss recorded in profit or loss.

Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- Addition of right-of-use assets - note 15
- Settlement of shareholder loans with share buy-back - note 22.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 35. Cash flow information (continued)

Changes in liabilities arising from financing activities

	Lease liabilities \$'000	Other interest bearing liabilities \$'000	Total \$'000
Balance at 1 January 2019	22,421	-	22,421
Net cash used in financing activities	(6,097)	(14,701)	(20,798)
Loans received	-	15,022	15,022
New leases	6,420	-	6,420
Changes through business combinations	364	-	364
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	23,108	321	23,429
Net cash used in financing activities	(8,456)	(2,157)	(10,613)
Loans received	-	2,579	2,579
New leases	27,222	-	27,222
Changes through business combinations	49	478	527
Exchange differences	(1,251)	(39)	(1,290)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	<u>40,672</u>	<u>1,182</u>	<u>41,854</u>

Note 36. Share-based payments

The expense recognised for share-based payments during the year is shown in the table below:

	2020 \$	2019 \$
Legacy Long-Term Incentive Plan (Legacy LTIP)	80,571	300,608
Non-Executive Directors Share Option Plan	132,000	-
One-off Share Option Plan	596,907	-
Employee Share Option Plan	1,201,937	-
	<hr/>	<hr/>
	<u>2,011,415</u>	<u>300,608</u>

Legacy LTIP

On 1 July 2016, a group of management personnel (Participants) were issued 10,000,000 share appreciation rights (SARs) of DRA Group Holdings Pty Ltd (DRAGH). The rights to acquire shares at ZAR 30 (A\$2.73) each were intended to vest in three equal tranches on the 2nd, 3rd and 4th anniversary of the grant date based on service conditions only and the options to acquire shares at ZAR 30 would remain exercisable for a period of 5 years thereafter.

The share-based payment in respect of the SARs was determined at grant date (1 July 2016) using the Black-Scholes model with the following inputs:

	Tranche 1	Tranche 2	Tranche 3
Grant date	1 July 2016	1 July 2016	1 July 2016
Expected volatility	10%	10%	10%
Dividend Yield	7%	7%	7%
Risk-free interest rate	7.7%	7.8%	7.9%
Date of vesting	30 June 2018	30 June 2019	30 June 2020
Share price of DRAGH at grant date*	\$2.73	\$2.73	\$2.73
Fair value per SAR	\$0.21	\$0.22	\$0.22

*As a private company, the DRAGH share price at grant date was not determined based on an observable market price. The share price was determined with reference to recent arms-length share transactions at the time.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 36. Share-based payments (continued)

In July 2018, DRAGH was acquired by DRA Global Limited through a Scheme of Arrangement. DRAGH restructured the SARs arrangement and replaced the remaining SARs with an issue of 5,076,620 ordinary DRAGH shares at a ratio of approximately 0.6 shares per SAR. The modification has not resulted in an incremental fair value under AASB 2 *Share-Based Payments* and consequently the expense for the original grant will continue to be recognised as if the terms had not been modified. These ordinary DRAGH shares participated in the Scheme of Arrangement as ordinary shareholders in DRAGH and were replaced by ordinary shares of DRA Global Limited. The Participants agreed to restrictions on the sale of the shares received pursuant to this restructure, specifically restrictions on the sale of these shares prior to specific dates replicating the original vesting profile of the SARs - i.e. sale of 1/3rd restricted until after each of 30 June 2018, 2019, 2020, and further agreed to sell these shares back to the Company at nominal value if they leave the employment of the Group before these dates.

The following table shows the number of DRA Global Limited's shares vested and outstanding at the beginning and end of the reporting period after it replaced DRAGH shares and the SARs:

	2020 Number	2019 Number
As at 1 January	1,331,244	3,409,126
Granted during the year	-	-
Vested during the year	(1,331,244)	(1,515,309)
Forfeited during the year	-	(562,573)
	<u>-</u>	<u>(562,573)</u>
As at 31 December	<u>-</u>	<u>1,331,244</u>

Employee Incentive Scheme

A new DRA Global Limited Employee Share Scheme titled "Incentive Option Plan" (the Plan) was established by the Group and approved by shareholders at the 2019 Annual General Meeting, whereby the Group may, at the discretion of the People, Culture & Remuneration Committee, grant options over ordinary shares in the Company to certain eligible key employees of the Group. The options are issued for nil exercise price and are granted in accordance with performance guidelines established by the People, Culture & Remuneration Committee.

One-off Share Option Plan

On 14 May 2020, the Company granted a one-off share option offer to certain key employees who may not have qualified as participants of the 2016 Legacy LTIP in recognition of their significant contribution to the Group. A total of 495,000 of these zero exercise price options (ZEPO) were granted. The ZEPO will vest at the end of 30 June 2022 subject to the employees remaining in the Company. Once vested, the options remain exercisable for a period of two years. The assessed fair value at grant date of options granted was \$4 per option. Given there was no observable price for the share price of the Company, the fair value at grant date was determined using internal valuation model using earnings multiples method based on market conditions at grant date. The average earning multiple was determined to be 5.7 times on grant date.

A summary of the options granted under the Plan is set up below:

	Number of options 2020	Weighted average exercise price 2020
As at 1 January	-	\$0.00
Granted during the year	<u>495,000</u>	\$0.00
As at 31 December	<u>495,000</u>	\$0.00
Vested and exercisable at 31 December	<u>-</u>	\$0.00

No options expired during the period covered by the above tables.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 36. Share-based payments (continued)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise Price	Number of Share options 31 December 2020
14 May 2020	30 June 2024	\$0.00	495,000
Total			<u>495,000</u>

Weighted average remaining contractual life of options outstanding at end of period 3.5 years

Non-Executive Directors (NED) Share Option Plan

Four non-executive directors were granted options to the value of 25% of their remuneration. The options will only be issued when the Company is listed on the ASX by 30 June 2021 or a lump sum cash payment will be paid unless a later date has been agreed. The number of options to be issued is based on the fair value of the options to be determined after the Company is listed on the ASX. The arrangement is accounted as equity-settled at the reporting date as the likelihood of listing on the ASX is considered probable at the reporting date. There are no vesting conditions attached.

FY2020 Share Option Plan

On 31 December 2020, the Company granted options to the value of \$7,240,585 to key employees where the number of options to be issued will be determined based on the Company's share price after listing. FY2020 Share Option Plan will vest subject to satisfaction of Absolute Total Shareholders Return (ATSR) (50% of the grant value) and Earnings Per Share (EPS) (50% of the grant value) performance hurdles. These performance hurdles are mutually exclusive so that if only one of the hurdles is satisfied, vesting occurs for that performance hurdle.

EPS performance will be assessed against compound annual growth rate targets set by the Board. The target set for FY2020 Share Option Plan is currently 8% compound average growth rate. If the compound average growth rate over FY2020 to FY2022 is 8% or greater, the grant will become 100% performance qualified. A minimum of 25% or 50% will vest if at least 2% or 4% compound growth over FY2020 to FY2022 performance period is achieved respectively.

ATSR performance is measured based on 10-day volume weighted average share price (VWAP) of the Company from date of listing and compare to the 30-day VWAP till 31 March 2023 (inclusive) assuming dividends are reinvested. If the ATSR from the date of listing to 31 March 2023 is 8% or greater, the grant will become 100% performance qualified. A minimum of 25% or 50% will vest if at least 2% or 4% of ATSR is achieved from the date of listing to 31 March 2023 respectively. The expiry date of the options is 31 March 2025 with a weighted average remaining contractual life of options of 4.25 years at the reporting period.

The assessed fair value at grant date for the options issued to the value of \$7,240,585 was independently determined to be \$4,807,748 after taking into account the performance hurdles and other assumptions. The fair value per option can only be determined once the number of options to be issued is determined after the Company is listed on the ASX. The fair value of the options is measured using Monte-Carlo simulation and Binomial models with the following inputs as at 31 December 2020:

Assumptions	ATSR Performance Hurdle	EPS Performance Hurdle
Grant Date	31-Dec-20	31-Dec-20
Amount granted	\$3,620,293	\$3,620,293
Fair value on amount granted	\$1,419,154	\$3,388,594
Vesting Date	31-Mar-23	31-Mar-23
Expiry Date	31-Mar-25	31-Mar-25
Expected Future Volatility	35%	35%
Exercise Price	Nil	Nil
Risk Free Rate	0.34%	0.34%
Dividend Yield	3%	3%
Share price at grant date*	N/A	N/A

* Whilst the share price of the Company has not been determined at the grant date, the share price has an inverse relationship between the number of options and the share price of the Company, due to the product of the number of options and the share price being equal to the value of the options to be issued. Therefore a range of different indicative share prices were used in determining the share-based payment expenses of the options.

Recognition and measurement

The fair value of equity-settled share-based payments granted to employees under the Employee Incentive Scheme is recognised as an employee benefit expense over the relevant service period, being the vesting period of the share-based payments with a corresponding increase in equity. The fair value is measured at the grant date of the share-based payments including any market performance condition and impact of any non-vesting conditions if any. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 36. Share-based payments (continued)

Significant judgements and estimates

Valuation of share-based payments

The Group is required to estimate the fair value of equity-settled share-based payment transactions with employees at the grant date. Estimating the fair value requires determination of the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the earning multiples, expected life of the share rights, volatility and dividend yield where applicable. The Group has applied the earning multiples model or Black Scholes option pricing model and Binomial Model to estimate the fair value of the rights with non-market-based vesting conditions. A hybrid employee share option pricing model and the Monte Carlo simulation have been applied to estimate the fair value of rights with market-based vesting conditions.

Share-based payment expense

The recognition of share-based payment expense involves making estimates and assumptions about the number of equity instruments being vested. The vesting of these equity instruments is subject to achievement of predetermined market, non-market performance conditions and service conditions. If the non-market performance conditions or service conditions are not met during the vesting period then the estimated number of equity instruments can be revised, reducing the share-based payment expense.

Note 37. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit (WA) Pty Ltd, the auditor of the Company, its network firms and unrelated firms:

	2020	2019
	\$	\$
<i>Audit services - BDO Audit (WA) Pty Ltd</i>		
Audit or review of the financial statements	901,923	686,655
<i>Other services - BDO Audit (WA) Pty Ltd</i>		
Tax advice services	237,455	155,246
Corporate advisory services	25,228	205,552
Remuneration advisory services	153,900	108,399
	<u>416,583</u>	<u>469,197</u>
Total services - BDO Audit (WA) Pty Ltd	<u>1,318,506</u>	<u>1,155,852</u>
<i>Audit services - BDO network firms</i>		
Audit or review of the financial statements	870,798	979,885
<i>Other services - BDO network firms</i>		
Tax advice services	268,070	206,377
Corporate advisory services	198,373	64,711
	<u>466,443</u>	<u>271,088</u>
Total services - BDO network firms	<u>1,337,241</u>	<u>1,250,973</u>
<i>Audit services - other firms (non-BDO)</i>		
Audit or review of the financial statements	135,013	192,395
<i>Other services - other firms (non-BDO)</i>		
Preparation of the tax return	98,460	18,564
Total services from other firms (non-BDO)	<u>233,473</u>	<u>210,959</u>

DRA Global Limited
Notes to the consolidated financial statements
31 December 2020

Note 38. New standards and interpretations

New or amended Accounting Standards and Interpretations adopted

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material AASB 101 and AASB 108;
- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business AASB 3;
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform AASB 7, AASB 9 and AASB 139.
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet issued in Australia AASB 1054
- Conceptual Framework for Financial Reporting and AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

New Accounting Standards and Interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual reporting periods beginning on or after 1 January 2021, and have not been applied in preparing these consolidated financial statements. The Group's assessment of the impact of these new standards, amendments to standards and interpretations is set out below.

Description	AASB 2020-4 Amendments to Australian Accounting Standards –Covid-19-related Rent Concessions (AASB 16) AASB 2020-7 Amendments to Australian Accounting Standards –Covid-19-related Rent Concessions: Tier 2 Disclosures (AASB 16 & AASB 1060)
Impact on Group Financial Report	It is not expected that there will be a material impact to the Group as a result of this amendment to the standard.
Application of standard	1 June 2020
Description	AASB 2020-8 Amendments to Australian Accounting Standards –Interest Rate Benchmark Reform Phase 2 (AASB 9, AASB 139, AASB 7, AASB 4 and AASB 16)
Impact on Group Financial Report	It is not expected that there will be a material impact to the Group as a result of this amendment to the standard.
Application of standards	1 January 2021
Description	AASB 2020-3 Amendments to Australian Accounting Standards –Annual Improvements 2018–2020 and Other Amendments (AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 & AASB 141) AASB 2020-3 Amendments to Australian Accounting Standards –Annual Improvements to IFRS Standards 2018–2020 and Other Amendments (AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 & AASB 141)
Impact on Group Financial Report	It is not expected that there will be a material impact to the Group as a result of this amendment to the standard.
Application of standards	1 January 2022
Description	AASB 2014-10 Amendments to AASs – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (AASB 10 & AASB 128)
Impact on Group Financial Report	It is not expected that there will be a material impact to the Group as a result of this amendment to the standard.
Application of standards	1 January 2022
Description	AASB 2020-1 AASB 2020-6 Amendments to Australian Accounting Standards –Classification of Liabilities as Current or Non-current (AASB 101)
Impact on Group Financial Report	It is not expected that there will be a material impact to the Group as a result of this amendment to the standard.
Application of standards	1 January 2023

Several other amendments to standards and interpretations will apply on or after 1 January 2021, and have not yet been applied, however they are not expected to impact the Group's annual consolidated financial statements.

Note 39. Other significant accounting policies

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Dividends

Dividends are recognised, in profit or loss, when the Group's right to receive payment has been established.

Interest

Interest is recognised, in profit or loss, using the effective interest rate method unless it is doubtful.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Note 39. Other significant accounting policies (continued)

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Derivative financial instruments

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

Investments and financial assets

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows and are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following three categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Equity instruments at fair value through the statement of other comprehensive income (FVTOCI)

Financial assets at FVTPL

Financial assets at FVTPL comprise quoted and unquoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI (Solely Payments of Principal and Interest) criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

Financial assets at amortised cost

Financial assets with contractual cash flows representing SPPI and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The Group's trade and most other receivables fall into this category of financial instruments.

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the Group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment

The Group assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost and FVTOCI.

Note 39. Other significant accounting policies (continued)

The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward looking information to calculate the expected credit losses using a provision matrix. For other financial assets, the ECL is based on either the 12-month or lifetime ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. When there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. In all cases, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Leases

Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its water treatment plants.

Leases for which the Group is a lessor are classified as finance leases. Whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease.

Impairment of non-financial assets

The Group assesses, at the end of each reporting period, whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value-in-use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those units or groups of units.

The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being operating segments.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

DRA Global Limited
Directors' declaration
31 December 2020

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.

On behalf of the directors



Peter Mansell
Chairman



Andrew Naude
Chief Executive Officer

15 April 2021

DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF DRA GLOBAL LIMITED

As lead auditor of DRA Global Limited for the year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of DRA Global Limited and the entities it controlled during the period.



Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 15 April 2021

INDEPENDENT AUDITOR'S REPORT

To the members of DRA Global Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of DRA Global Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue from Contracts with Customers

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group generates a significant portion of its revenue from long-term customer contracts for the design, procurement, construction and the operation and maintenance of mineral process plants in the form of EPC and EPCM contracts (“construction contracts”) as disclosed in Note 3 of the financial report.</p> <p>Revenue recognition is a key audit matter due to the significance of revenue generated from construction contracts and the accounting for construction contracts involving significant levels of judgement around:</p> <ul style="list-style-type: none"> • Identifying the performance obligation; • Determining the transaction price; • Assessing the stage of completion of satisfying the identified performance obligation; • Forecasting the costs to complete the contractual works. 	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Evaluating management’s processes in the preparation, review and authorisations of monthly project review reports for significant contracts; • Obtaining an understanding of the terms and conditions of a sample of contracts with customers and comparing to management’s assessment of the contract; • Assessing forecast costs to complete through discussions with project managers and commercial personnel and through these discussions enquiring as to challenges or issues faced in completing the contractual work and considering any resulting impact on revenue recognition; • Testing a sample of actual costs incurred on contracts with customers and agreeing to supporting documentation; • Assessing management’s determination of the transaction price for a sample of contracts with customers and challenging the estimates made on variable consideration and uncertified claims; • Considering exposure to penalties and liquidated damages for late delivery of contract works; • Reviewing the accounting for foreign exchange on amounts invoiced in advance of recognition of revenue; and • Considering the adequacy of disclosures in Note 3 of the financial report.

Impairment testing of Goodwill

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Note 16 of the financial report discloses the carrying value of goodwill and the assumptions which have been used by the Group in testing for impairment. As required by Australian Accounting Standards, the Group has performed an annual impairment test for each cash generating unit (“CGU”) to which goodwill has been allocated to determine whether the recoverable amount exceeds or is below the carrying amount.</p> <p>Impairment testing of goodwill was assessed as being a key audit matter as management’s assessment of the recoverable amount is based on value in use (“VIU”) cash flow forecasts which requires estimates and judgements about future financial performance.</p> <p>The VIU calculations include significant judgements such as:</p> <ul style="list-style-type: none"> • Contract pipeline; • Long term growth rates; • Forecast gross profit margins; and • Discount rates. 	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Evaluating management’s determination of the Group’s CGU’s, including the change in CGU allocation from the prior year to ensure they are appropriate, including being at a level no higher than the operating segments of the Group; • Evaluating the processes and controls in place over the Groups budgeting process which produces the forecasts for FY21 and FY22 which the VIU cash flow forecasts are based on; • Understanding the business processes undertaken by management in assessing for impairment; • Holding discussions with management to understand the financial performance of each CGU and whether there were any events or circumstances that would indicate that goodwill is impaired; • Challenging key assumptions used in the VIU such as gross profit margins and probabilities applied to pipeline opportunities; • Involving our internal valuation specialists in assessing the discount rates applied to each CGU; • Testing the arithmetic accuracy of the VIU models, including cash flow forecasts; • Re-calculating the impairment charge recognised for the Americas CGU and comparing against the recorded amount; • Performing sensitivity analysis to stress test the recoverable amount using different key assumptions; and • Considering the adequacy of disclosures in Note 16 of the financial report.

Onerous Contract Provisions and Contingent Liabilities

Key audit matter	How the matter was addressed in our audit
<p>At 31 December 2020, the Group’s statement of financial position includes a provision for loss making contracts as disclosed in Note 20. In addition, at times the Group is exposed to risks associated with claims, counterclaims, disputes and litigation for its contracts with customers that may be material.</p> <p>There is a significant level of estimation and judgement involved in the calculation of the provision. While the assessment of potential liabilities associated with claims, counterclaims, disputes and litigation can require significant judgement to be exercised based on the information available to the Group at the time.</p> <p>This was determined to be a key audit matter due to the nature of the provision and its material impact on the financial report.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Read the minutes of the Group’s key governance meetings (Audit & Risk Committee, Board of Directors) and reviewing the Group risk register; • Reviewed position papers prepared by management on key EPC contracts with customers, including the updated assessment of provisions and contingent liabilities; • Agreeing details included in management’s position papers to relevant supporting documentation and holding discussion with project managers and regional executives to obtain an update on the status; • Reviewing the year end provisions balance and obtaining support for movements in the provision during the year; • Holding discussions with in-house legal counsel and external legal advisors on the status of certain matters relevant to the provisions and contingent liabilities; • Considering the adequacy of disclosures in Note 20 and Note 26 of the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the Company’s 2020 Annual Report, but does not include the directors’ report, remuneration report, financial report and our auditor’s report thereon, which we obtained prior to the date of this auditor’s report, and we expect to obtain the remaining sections of the Annual Report after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the full annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of DRA Global Limited, for the year ended 31 December 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Neil Smith

Director

Perth, 15 April 2021